SMARTYEAR

SMARTREIT®

2015 ANNUAL REPORT

CONTENTS

SMARTTHINKING

OUR VISION

To create exceptional places to shop and work.

OUR PURPOSE

To develop, construct, lease, own and manage shopping centres that provide retailers with a platform to reach their customers through convenient locations, intelligent designs, a desirable tenant mix and to provide high quality office space for tenants to locate effective work spaces.

LETTER FROM THE PRESIDENT AND CEO

DEAR FELLOW UNITHOLDERS

There's no question 2015 was a special year for us. Starting with the transaction with SmartCentres announced in April and our transformation from Calloway to SmartREIT, we continued to build momentum through the remainder of the year. Today, I'm pleased to report on the very good results we achieved.

SmartREIT is the owner of one of Canada's largest real estate portfolios. With an increase in value of $1.3 billion last year, our assets now total approximately $8.5 billion, with more than 31 million square feet of retail space across Canada at an average occupancy in excess of 98%. With a portfolio of this scope and size, we take very seriously our responsibility to unitholders to manage, maintain and grow this asset base year over year. This strategic approach of maintaining continuity while seeking new opportunity has provided the Trust with true stability over more than 10 years.

We continue to build on this stability that is based on our multi-year strategic relationship with the world's leading retailer, Walmart, located at more than 100 SmartCentres across Canada as either an anchor or shadow anchor. And we are continually seeking ways to introduce innovations to our value-oriented shopping experience. Toronto Premium Outlets and Premium Outlets Montreal, our joint ventures with Simon Property Group ("Simon"), have both outperformed expectations, and we are already working on the approvals for the expansion of the Toronto outlet.

Beyond our shopping centres, we are growing our portfolio further, with the KPMG tower at the Vaughan Metropolitan Centre ("VMC") complete and the development of a second office tower at VMC moving forward. The redevelopment of the StudioCentre site east of downtown Toronto is also moving forward after being approved by the Toronto city council late last year. Each is an outgrowth of our ongoing intensification strategy.

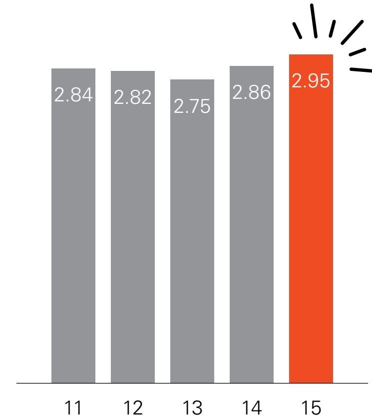
Of course, it would be impossible to explore any opportunity without significant financial strength, which, I'm happy to report, continued to grow in 2015. We increased our funds from operations by 16.9% to $309.6 million, and our net operating income increased by 10.6% to $438.0 million – strong growth relative to our competitors in the REIT space.

Our strategy is to term out our debt maturities for the longest term possible to take advantage of interest rates that remain at generational lows. During 2015, we refinanced $756.3 million of debt and assumed another $645.5 million as a result of the SmartCentres Transaction. Overall, we were able to lower our weighted average interest rate to 4.16%, which will provide benefits for many years to come. For future funding, we have $323.8 million of remaining unused capacity on our operating line and we have an unencumbered property pool of $2.5 billion, giving us considerable strength and flexibility.

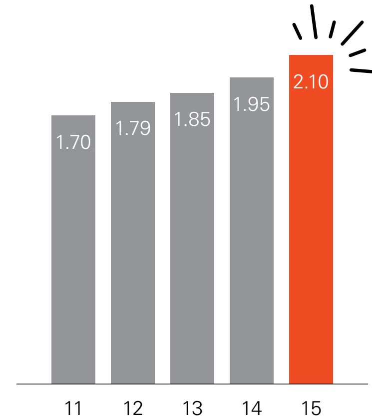
This strategy, alongside our disciplined approach to developing new projects, helps us to maintain cash flow well in excess of our distributions despite a 3.125% distribution increase in 2015. This has helped us to further maintain a high market valuation in comparison to most other REITs and continue to win the confidence of our unitholders.

One of the most significant benefits of our transformation to SmartREIT has been our ability to create a multidisciplinary, cross-functional team of experts in acquisition, asset management, real estate planning, development, construction, leasing and operations all under one roof. With their combined expertise and extensive external relationships, SmartREIT is poised for continued growth in the future.

NET OPERATING INCOME
($ per unit)



FUNDS FROM OPERATIONS
($ per unit)



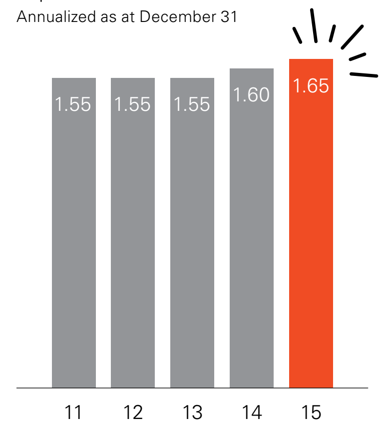
Tower Two Concept Rendering, VMC, Vaughan, ON

Ottawa (Laurentian Place) SmartCentre, Ottawa, ON

To conclude, I want to extend my gratitude to each member of our team, without whom the continued growth and success of SmartREIT would not be possible. They have an almost innate ability to anticipate trends in the Canadian marketplace and to respond in innovative and profitable ways.

I'd like also to take this opportunity to thank our business partners and our Trustees, who continue to help us achieve ongoing success year after year.

Most notably, I want to thank you, our unitholders, for your continued investment in SmartREIT. Last year was truly transformative for us; we're committed to providing you with even greater value in the coming years. The future is just beginning, and it all starts with smart thinking.



Sincerely,

Huw Thomas
President, Chief Executive Officer
SmartREIT

SMARTTRANSFORMATION

Calloway REIT and SmartCentres become SmartREIT

In Q2 2015, building on a long-standing and highly successful alliance, Calloway joined forces with SmartCentres to become SmartREIT (trading under SRU.UN). A fully integrated real estate provider, SmartREIT now has expertise in acquisition, asset management, planning, development, construction, leasing, operations and property management all under one roof.

The transaction with SmartCentres included the addition of 22 retail properties located primarily in Ontario and Quebec with Walmart as anchor or shadow anchor, which resulted in an additional 3.4 million square feet of retail space, for a combined total of 30.8 million square feet in the SmartREIT portfolio following closing of the Transaction.

SMARTCENTRES ACQUISITION HIGHLIGHTS

+ 3.4 million square feet of gross leasable area
+ 22 properties
+ 1.8 million square feet of potential development properties
+ $1.2 billion increase in total assets
+ 12.6 years weighted average lease term

SmartCentres Home Office, Vaughan, ON

With substantive retail, office and mixed-use development potential at many of our existing locations, we are now well positioned to pursue a range of opportunities, including greenfield developments and site intensification. At the same time, we will continue to provide Canadians with value-focused retail shopping centres across the country, building on our multi-year relationship with Walmart and our 108 Walmart-anchored or shadow-anchored sites.

Our new brand

The SmartREIT name is a reflection of the combined capabilities of two leading businesses and our ability to fully integrate our capabilities. Adopting the familiar trademark penguins for our brand identity helps to further demonstrate this new transformation and natural continuity as a trust.

Bradford SmartCentre, Bradford, ON

SMARTCENTRES®

In the 1990s, SmartCentres introduced Canadians to a value-based concept for unenclosed shopping centres, centred on providing retailers with scale and efficiency to provide savings to the consumer.

Our continuing mandate is to consistently offer great value to shoppers for all their weekly shopping needs, while maintaining a successful retail environment for our tenants.

Today, SmartCentres continues to be one of Canada's fastest-growing and most active developers. The convenient locations of our shopping centres and the best retailer mix make us the first choice for many Canadian consumers.

Visit smartcentres.com for more information.

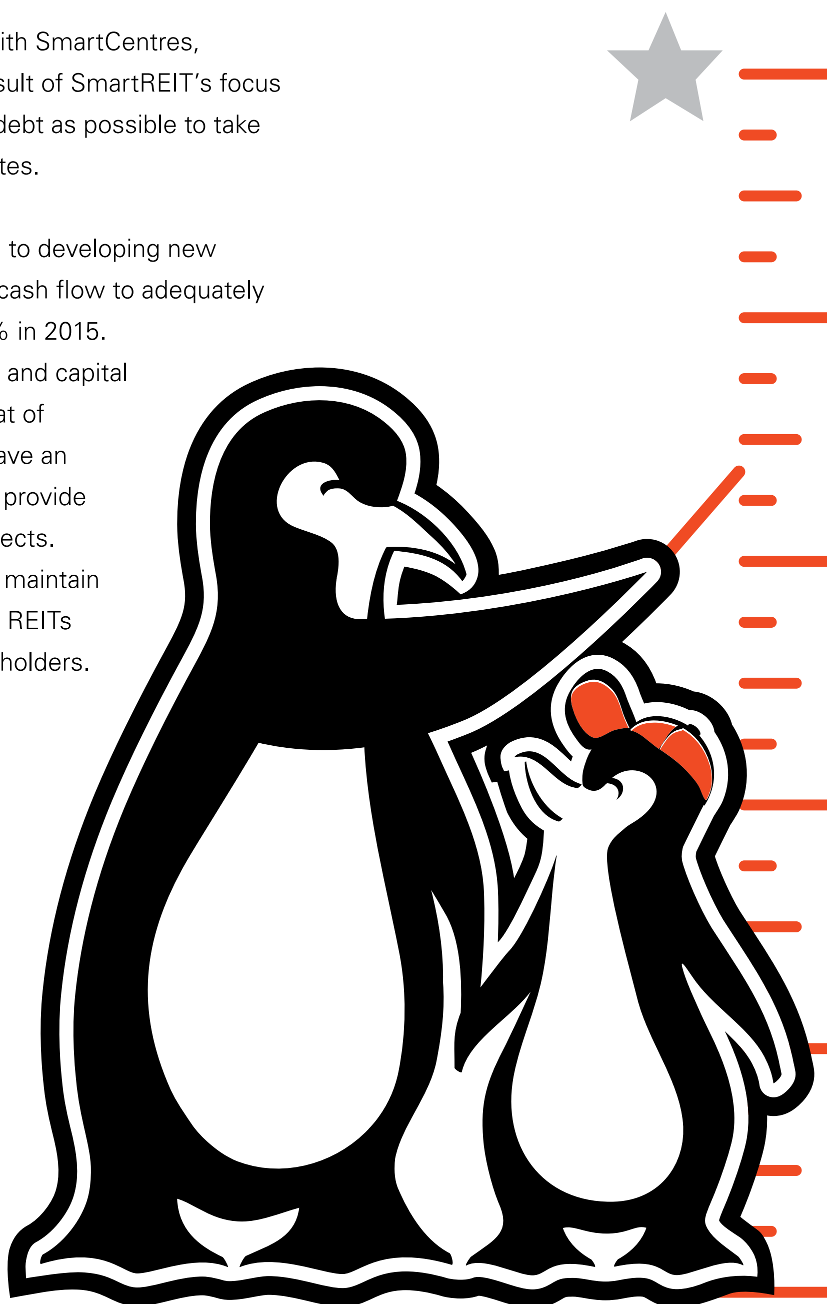
SMARTGROWTH

Excellence in financial performance

SmartREIT continued to demonstrate strong financial performance in 2015, with an increase in funds from operations of 16.9% to $309.6 million, as well as a net operating income increase of 10.6% to $438.0 million.

In addition to the transformative transaction with SmartCentres, this higher income growth rate is, in part, a result of SmartREIT's focus in 2015 on refinancing as much of the Trust's debt as possible to take advantage of very attractive market interest rates.

This strategy, alongside a disciplined approach to developing new projects, helps SmartREIT maintain sufficient cash flow to adequately cover its distributions, which increased 3.125% in 2015. SmartREIT's cash flow relative to distributions and capital expenditures is very strong and better than that of most REITs. At the same time, we currently have an unencumbered property pool of $2.5 billion to provide for future intensification and development projects. These factors have helped the Trust to further maintain a high market valuation in comparison to other REITs and continue to win the confidence of our unitholders.



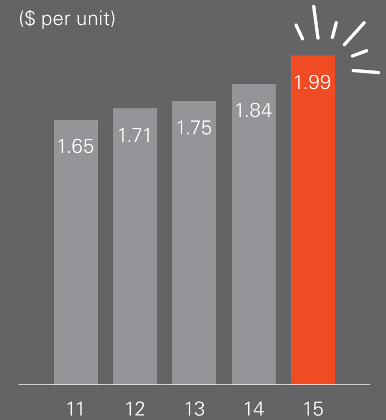
2015 FINANCIAL HIGHLIGHTS

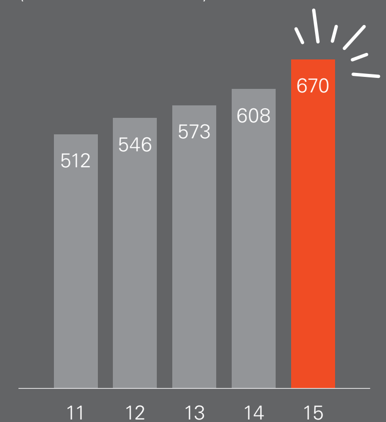
$1.65 distributions per unit (annualized)

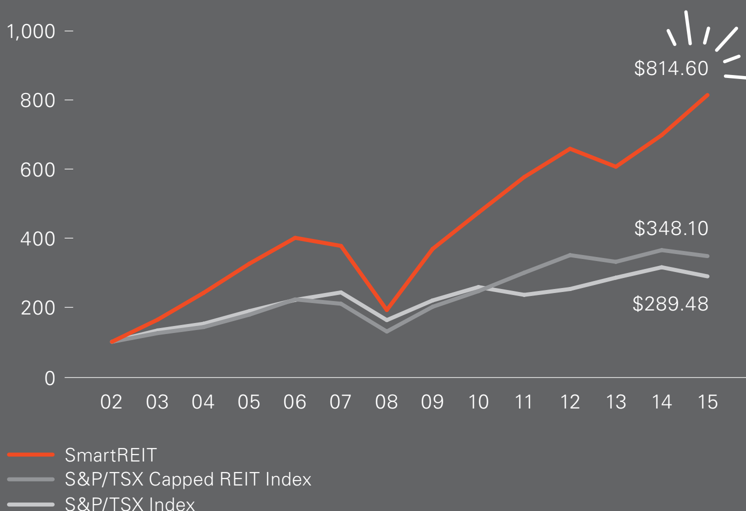
81.1% AFFO payout ratio

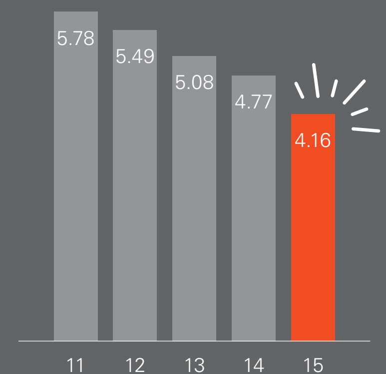
44.7% debt to total assets

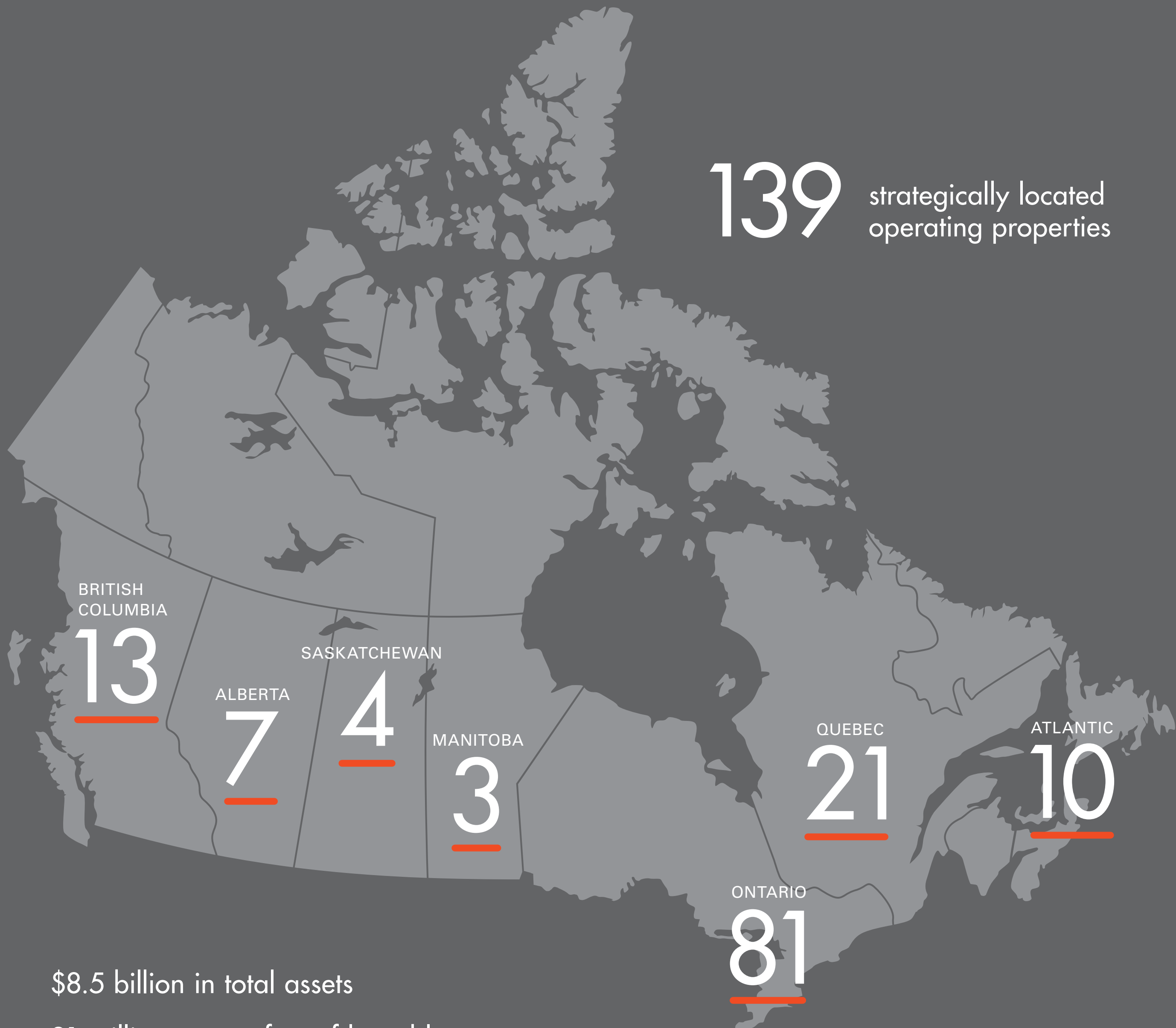
$8.5 billion in fair market value of total assets











$8.5 billion in total assets

31 million square feet of leasable area

4.8 million square feet of future developable area

$15.09 net rent per square foot

$21.69 net rent per square foot (excluding anchors)

7.1 years average lease term to maturity

11 additional development properties

SMARTSTRENGTH

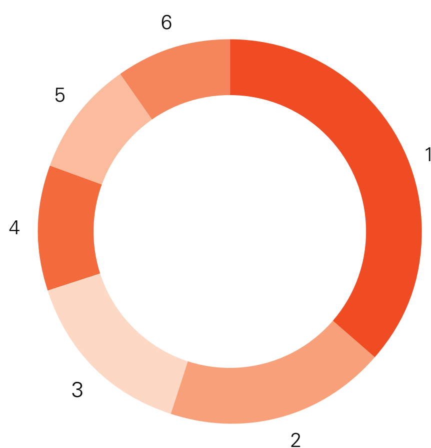
One of the strongest retail portfolios in Canadian real estate

SmartREIT currently has an asset base of $8.5 billion with over 31 million square feet of income-producing properties. With a tenant occupancy rate of 98.7%, including a diverse range of leading retailers in communities across Canada and our long-term relationship with anchor tenant Walmart, the potential for sustained growth continues.

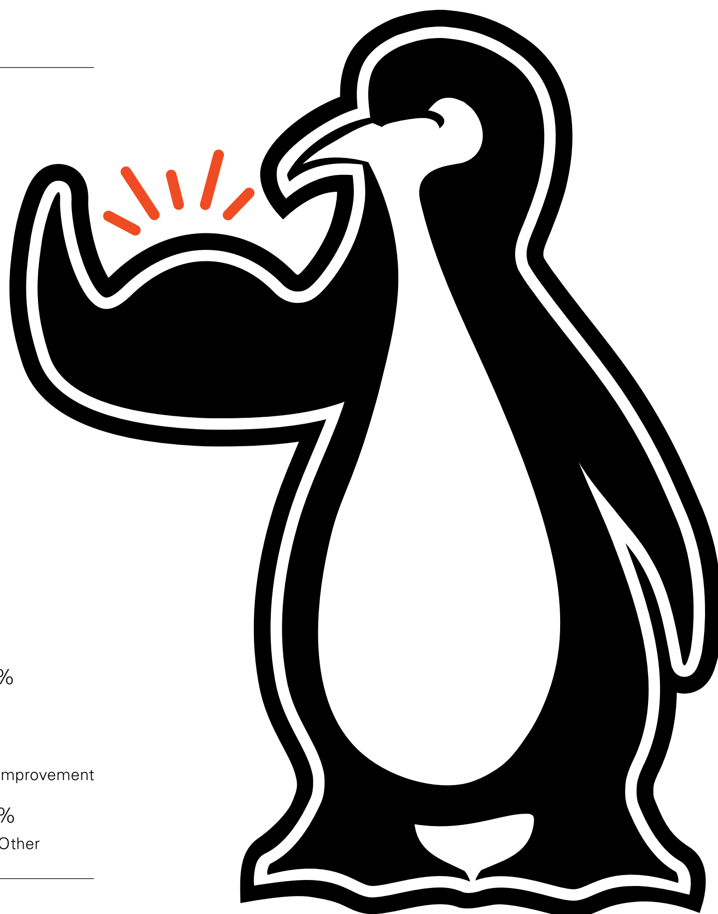
We continue to look for further additions that are appropriate to the portfolio. In 2015, we acquired Haney Place Mall, a Walmart-anchored enclosed shopping centre totalling 227,000 square feet in Maple Ridge, British Columbia, for a total purchase price of $59.3 million, funded by existing cash.

Despite a relatively low level of quality assets available for purchase, we will continue to explore future acquisition opportunities, which will help to maintain our position as one of the leading retail real estate companies in Canada. There is no question that SmartREIT has a strong platform to build upon.

GROSS REVENUE BY CATEGORY
(per cent)



1. General Merchandise – 36.4%
   Department Store/Other
2. Apparel – 18.6%
   Clothing/Footwear
3. Food – 15.1%
   Grocery & Specialty Foods/Restaurant & Fast Food
4. Leisure – 10.6%
   Electronics/Other
5. Home – 9.6%
   Furniture & Home Improvement
6. Services – 9.7%
   Financial Services/Other



SMARTAPPROACH

A consistent strategic approach leading to many successes

Community value-oriented centres

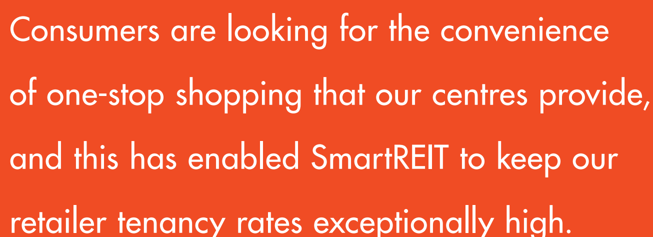
Retailers in urban and suburban communities throughout Canada have chosen our open-format, value-focused retail shopping centres for their strategic locations, access to the majority of Canadian shoppers and competitive rates. The average age of our shopping centres is just 12 years, enabling us to minimize future capital expenditure on maintenance.

Walmart is our key tenant, as an anchor or shadow anchor at 108 of our shopping centres. As Canada's leading retailer, Walmart continues to choose our shopping centres to locate their stores. They, together with other large retailers, provide everyday shopping needs such as food, pharmacy, beer and liquor and entertainment. Walmart-anchored shopping centres drive higher consumer traffic volumes and have helped attract many leading retailers to our locations. We see this trend continuing, particularly in light of the recent closure of Target stores across Canada.

In selected sites we have introduced enhanced services such as Penguin Pick-Up and Penguin Fresh. In the future we will look at offering further enhanced services such as free Wi-Fi and special pop-up retail stores to meet seasonal consumer needs.

Designed to help save time, Penguin Pick-Up combines the convenience of online shopping with the ability to pick up purchases at the nearest SmartCentres location. And this past year, Penguin Fresh was introduced to provide the convenience of grocery pick-up. Consumers shop online, receive notification of when the purchase is ready and take advantage of efficient drive-up service without ever having to leave their car.

Visit penguinpickup.com and penguinfresh.com for more information.



Toronto Premium Outlets, Halton Hills, ON

Premium Outlet Centres

Our Premium Outlet Centres partnership with Simon has proven to be a true success. The two Premium Outlet Centres already opened serve a total of approximately 10 million people within a one-hour drive of the two locations, and we continue to seek new sites to add to this remarkably well-performing portfolio.

In the meantime, the Toronto location is outperforming expectations, and work has begun on a 140,000-square-foot expansion for approximately 40 new tenants. A new parking garage will be completed in 2017, followed by new retail facilities in 2018. At the existing centre, The Bay will be replaced by Saks Fifth Avenue OFF 5TH in the early spring, and the centre will benefit from extended hours on various holidays this year due to its new tourist designation.

The Montreal location opened to strong consumer response and continues to gain momentum with 96% occupancy by the end of the first full year of operation, including the only Gucci outlet store in Canada. SmartREIT is working with several prominent retailers to develop the adjacent 75-acre site co-owned with Simon and Penguin Property Group, including the potential development of a hotel and conference centre. SmartREIT also owns the Walmart-anchored shopping centre across the highway from Premium Outlets Montreal, which contributes to making this a major retail node in the northern part of Greater Montreal.

PREMIUM OUTLETS

Our Montreal and Toronto locations are helping change the way Canadians shop, with a wide variety of international retailers offering exceptional brands with extraordinary savings.

Visit premiumoutlets.ca for more information.

KPMG Tower, VMC, Under Construction, Vaughan, ON

Vaughan Metropolitan Centre

VMC, located just northwest of the city of Toronto, is one of the largest urban mixed-use development sites proposed in Canada. SmartREIT owns 53 acres in a joint venture with Penguin Property Group and plans the joint development of six million square feet of commercial, residential and retail real estate.

Now nearing completion, the first phase of our development is a 15-storey, 365,000-square-foot office tower complex with global accounting firm KPMG as the lead tenant. We are now proposing a second tower, which we expect will be 100% leased to a commercial tenant and would also house a YMCA and other community uses.

SMARTURBAN™

One of the outgrowths of our ongoing urban intensification initiatives, VMC is becoming a model of how to repurpose and redevelop property to create greater value for retailers, employers and residents alike.

Visit vaughanmetrocentre.ca for more information.

StudioCentre Concept Rendering, Toronto, ON

StudioCentre

Located just east of the Don Valley in Toronto, the StudioCentre site has become a mainstay of the Canadian movie production industry, housing multiple facilities for all stages of film and television production. SmartREIT recently received approval from Toronto City Council to upgrade and redevelop the 19-acre site to include 1.2 million square feet of mixed-use space, including office, retail and potentially a hotel to service the arts, film and media community. The existing 230,000 square feet of former industrial buildings will continue to be occupied by current tenant Revival Film Studio, which is currently benefiting from a thriving movie production industry in Canada.

SMARTURBAN™

The redevelopment of the StudioCentre property in eastern Toronto will help further augment the already long-established film and television community in the city with local amenities, enabling it to continue to flourish and grow long into the future. Acting as an anchor to the community, the new development will help enhance Canada's role on the world stage of entertainment production and bring further economic growth to the local community and to the city as a whole.

Visit studiocentre.com for more information.

StudioCentre Concept Rendering, Toronto, ON

Laval Centre Concept Rendering, Laval, QC

Laval Centre

Situated in the centre of the island of Laval, with easy access by major roads and public transportation and in a location designated by the city of Laval as its official downtown, Laval Centre is an ideal location for mixed-use development, including retail, office and residential properties.

At present, a 160,000-square-foot Walmart Supercentre anchors the centre, with an additional 100,000 square feet of retail space in the planning stages. In addition, zoning amendments are under way to permit higher densities that will accommodate 250,000 square feet of office space, as well as one million square feet of residential and seniors housing.

Laval Centre Aerial Shot, Laval, QC

SmartREIT Office, Vaughan, ON

SMARTPEOPLE

Exceptionally skilled, exceptionally successful

SmartREIT comprises an integrated staff of approximately 300 employees, including a highly capable leasing and operations team, as well as the most experienced open-format retail development team in Canada. The transaction with SmartCentres enabled us to bring an extraordinarily diverse yet synergistic group of experts together, all of whom are well practised in every aspect of the retail real estate industry and have a developing capability in new office development. Our long-standing expertise in asset and property management has now been roundly complemented with the addition of experts in leasing and development.

This has only proven to further strengthen existing relationships with Canada's most valued city and municipality staff in construction, architecture, city planning, transit and more. And it has further deepened the relationships with major retailers across Canada and enhanced future partnership and joint-venture opportunities. With our combined capabilities, this full-service team is able to navigate through the many complexities of real estate acquisition, development and management and is helping SmartREIT continue to build one of the strongest real estate portfolios in Canada.

SMARTPORTFOLIO

Walmart
Garden Centre
Now Open

sunset grill

COACH
ALDO
MICHAEL KORS
Espace resto

The SmartREIT Asset Base for 2016

RETAIL PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Courtenay SmartCentre	Courtenay	100%	273,289	98.7%	Walmart Supercentre, Winners, Staples, Best Buy, Sport Chek, Mark's, Reitmans, RBC
Cowichan Commons East	Duncan	100%	239,359	97.7%	Walmart Supercentre*, RONA*, Canadian Tire, Home Depot, Best Buy, Bulk Barn
Cranbrook SmartCentre	Cranbrook	100%	164,025	100.0%	Walmart Supercentre, Real Canadian Superstore*, Home Hardware*, Sport Chek, Dollar Tree
Kamloops SmartCentre	Kamloops	100%	232,800	97.3%	Walmart Supercentre, Michaels, Lordco Auto Parts, Pier 1 Imports, Sleep Country
Langley SmartCentre	Langley	100%	351,224	99.3%	Walmart Supercentre, Home Depot*, Save-On-Foods*, Home Outfitters, London Drugs, Best Buy
Maple Ridge SmartCentre	Maple Ridge	100%	226,874	100.0%	Walmart Supercentre, Thrifty Foods, Westminster Savings Credit Union, Dollar Tree, Rexall
New Westminster SmartCentre	New Westminster	100%	407,577	97.6%	Walmart Supercentre, Home Outfitters, Tommy Hilfiger, Bonnie Togs, The Gap
Peachtree Square	Penticton	100%	54,916	100.0%	Walmart*, Sport Chek, Dollar Tree, Valley First Credit Union, Bulk Barn
Penticton Power Centre	Penticton	100%	187,227	98.5%	Real Canadian Superstore, Staples, Winners, Sleep Country, TD Canada Trust
Prince George SmartCentre	Prince George	100%	313,390	99.0%	Walmart Supercentre, Home Depot*, Canadian Tire*, Michaels, Old Navy, Mark's, Petland
Salmon Arm SmartCentre	Salmon Arm	50%	52,299	100.0%	Walmart Supercentre, Bulk Barn
Surrey West SmartCentre	Surrey	100%	187,156	99.4%	Walmart Supercentre, Dollar Tree, Ardene, Sleep Country, Reitmans, Bonnie Togs
Vernon SmartCentre	Vernon	100%	259,296	95.9%	Walmart Supercentre, RONA*, Best Buy, Value Village, Mark's, Petland, Sleep Country
Calgary Southeast SmartCentre	Calgary	100%	246,085	100.0%	Walmart Supercentre, London Drugs, Mark's, Reitmans, Carter's Osh Kosh, Bulk Barn
Crowchild Corner	Calgary	100%	23,377	100.0%	RE/MAX, Respiratory Homecare Solutions Inc.
Edmonton East SmartCentre	Edmonton	50%	178,558	100.0%	Walmart Supercentre, Safeway, Winners, Petland, Dollarama, TD Canada Trust
Edmonton Northeast SmartCentre	Edmonton	100%	274,353	95.3%	Walmart Supercentre, Michaels, Bulk Barn, Moores, Penningtons, Reitmans
Lethbridge SmartCentre	Lethbridge	100%	333,092	100.0%	Walmart Supercentre, Home Depot*, Ashley Furniture, Best Buy, Mark's, Gap Outlet
St. Albert SmartCentre	St. Albert	100%	251,329	100.0%	Walmart Supercentre, Save-On-Foods*, RONA*, Mark's, Canadian Western Bank
Sylvan Lake SmartCentre	Sylvan Lake	100%	125,081	100.0%	Walmart Supercentre, Canadian Tire*, Dollarama
Regina East SmartCentre (I)	Regina	100%	398,003	100.0%	Walmart Supercentre, HomeSense, London Drugs, Home Outfitters, Best Buy, Michaels
Regina East SmartCentre (II)	Regina	100%	198,110	99.4%	RONA, Real Canadian Superstore*, Wholesale Sports, Old Navy, Petland
Regina North SmartCentre	Regina	100%	276,251	99.5%	Walmart Supercentre, Sobeys, Mark's, Dollarama, Bulk Barn, Reitmans, TD Canada Trust
Saskatoon South SmartCentre	Saskatoon	100%	374,722	100.0%	Walmart Supercentre, Home Depot*, HomeSense, The Brick, Ashley Furniture, Golf Town
Kenaston Common SmartCentre	Winnipeg	100%	257,222	100.0%	RONA, Costco*, Indigo Books, Golf Town, Petland, Nygard, CIBC, HSBC, RBC
Winnipeg Southwest SmartCentre	Winnipeg	100%	528,180	96.7%	Walmart Supercentre, Home Depot*, Safeway, Home Outfitters, HomeSense, Urban Planet
Winnipeg West SmartCentre	Winnipeg	100%	354,667	98.0%	Walmart Supercentre, Canadian Tire*, Sobeys, Winners, Value Village, Sport Chek, Staples
401 & Weston Power Centre	North York	44%	129,459	100.0%	Real Canadian Superstore*, Canadian Tire, The Brick, Home Outfitters, Best Buy, LCBO
Alliston SmartCentre	Alliston	100%	170,770	100.0%	Walmart Supercentre, Dollarama, Tim Hortons
Ancaster SmartCentre	Ancaster	100%	264,833	99.0%	Walmart Supercentre, Canadian Tire*, Winners, GoodLife Fitness, Bouclair, Dollar Tree
Aurora North SmartCentre	Aurora	100%	507,301	98.3%	Walmart Supercentre, RONA, Best Buy, Golf Town, LCBO, Dollarama, RBC, TD Canada Trust
Aurora SmartCentre	Aurora	100%	51,186	85.1%	Winners, Bank of Nova Scotia
Barrie Essa Road Shopping Centre	Barrie	100%	104,908	88.2%	Food Basics, Pharma Plus, Dollarama, Anytime Fitness, Pet Valu, Tim Hortons
Barrie North SmartCentre	Barrie	100%	234,700	100.0%	Walmart Supercentre, Loblaws*, Old Navy, Bonnie Togs, Addition Elle, Reitmans
Barrie South SmartCentre	Barrie	100%	410,129	93.6%	Walmart Supercentre, Sobeys, Winners, La-Z-Boy, PetSmart, Stitches, Dollar Tree
Bolton SmartCentre	Bolton	100%	242,444	99.2%	Walmart Supercentre, LCBO, Mark's, The Beer Store, Reitmans
Bracebridge SmartCentre	Bracebridge	100%	142,444	100.0%	Walmart Supercentre, Home Depot*, Dollar Tree, Boston Pizza, Bulk Barn
Bradford SmartCentre	Bradford	100%	239,274	100.0%	Walmart Supercentre, GoodLife Fitness, Dollarama, Bulk Barn, CIBC, RBC

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property. Future area may include existing area that requires further redevelopment.

RETAIL PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Bramport SmartCentre	Brampton	100%	144,835	100.0%	LA Fitness, Value Village, LCBO, Dollarama, Swiss Chalet, CIBC, Bank of Montreal
Bramport SmartCentre (II)	Brampton	100%	37,857	100.0%	No Frills
Brampton East SmartCentre	Brampton	100%	360,694	100.0%	Walmart Supercentre, The Brick, Winners, Staples, Mark's, Bonnie Togs, Sleep Country
Brampton North SmartCentre	Brampton	100%	58,758	95.8%	Fortinos*, Shoppers Drug Mart, RBC, Synergy Performing Arts Academy
Brampton Northeast SmartCentre	Brampton	100%	211,853	100.0%	Walmart Supercentre, CIBC, Bank of Nova Scotia, RBC
Brockville SmartCentre	Brockville	100%	137,873	99.0%	Walmart Supercentre*, Real Canadian Superstore*, Home Depot*, Winners, Michaels, LCBO
Burlington (Appleby) SmartCentre	Burlington	100%	151,115	100.0%	Toys R Us, LA Fitness, Shoppers Drug Mart, Golf Town, Bank of Montreal
Burlington North SmartCentre	Burlington	100%	226,451	100.0%	Walmart Supercentre, Dollar Tree, Reitmans, Moores, Bank of Nova Scotia
Cambridge SmartCentre (I)	Cambridge	100%	738,034	95.6%	Walmart Supercentre, RONA, LA Fitness, Best Buy, Staples, Bed Bath & Beyond, Michaels
Cambridge SmartCentre (II)	Cambridge	100%	23,938	78.8%	Canadian Tire*, Home Depot*, 2001 Audio Video, Henry's Photography
Carleton Place SmartCentre	Carleton Place	100%	148,885	100.0%	Walmart Supercentre, Dollarama, Mark's, Bulk Barn
Centennial Parkway Plaza	Stoney Creek	100%	133,748	91.5%	Food Basics, JYSK, King's Buffet, Salvation Army Thrift Store
Chatham SmartCentre	Chatham	50%	152,053	98.3%	Walmart Supercentre, Real Canadian Superstore*, Winners, Mark's, PetSmart, Dollarama, LCBO
Cobourg SmartCentre	Cobourg	100%	197,935	97.9%	Walmart Supercentre, Home Depot*, Winners, Dollar Tree, Swiss Chalet
Cornwall SmartCentre	Cornwall	100%	163,726	100.0%	Walmart Supercentre, Dollar Tree
Etobicoke (Index) SmartCentre	Etobicoke	100%	186,587	100.0%	Sail, Marshalls, PetSmart, Party Packagers, Structube, Bouclair
Etobicoke SmartCentre	Etobicoke	100%	294,734	98.5%	Walmart Supercentre, Home Depot*, Best Buy, Old Navy, Mark's, Urban Barn
Fort Erie SmartCentre	Fort Erie	100%	12,738	100.0%	Walmart Supercentre*, No Frills*, LCBO, Bank of Nova Scotia
Guelph SmartCentre	Guelph	100%	296,116	100.0%	Walmart Supercentre, Home Depot*, HomeSense, Michaels, Dollarama, CIBC, RBC
Hamilton South SmartCentre	Hamilton	100%	239,178	98.8%	Walmart Supercentre, Shoppers Drug Mart, LCBO, Dollarama, The Beer Store, CIBC
Huntsville SmartCentre	Huntsville	100%	126,436	100.0%	Walmart Supercentre, Your Independent Grocer*, Dollar Tree, Mark's, Reitmans
Kanata SmartCentre	Kanata	100%	195,504	100.0%	Walmart Supercentre, Dollarama, Bulk Barn, CIBC, RBC
Leaside SmartCentre	East York	100%	249,459	97.0%	Home Depot*, Winners, Sobeys, Sport Chek, Best Buy, LCBO, Golf Town, RBC
London East Argyle Mall	London	100%	424,986	98.6%	Walmart Supercentre, Toys R Us, No Frills, Winners, Staples, Sport Chek, GoodLife Fitness
London North SmartCentre	London	50%	248,155	100.0%	Walmart Supercentre, Canadian Tire*, Winners, Sport Chek, HomeSense, Old Navy, LCBO
London Northwest SmartCentre	London	100%	36,214	100.0%	Lowe's*, Boston Pizza, Montana's, Bank of Montreal, TD Canada Trust, RBC
Markham East SmartCentre	Markham	40%	69,008	100.0%	Walmart Supercentre, Dollar Tree, CIBC
Markham Woodside SmartCentre	Markham	50%	168,724	100.0%	Home Depot, Longo's*, Winners, Staples, Chapters, Michaels, La-Z-Boy, LCBO
Milton Walmart Centre	Milton	50%	116,555	96.3%	Walmart Supercentre*, Canadian Tire*, Sport Chek, Indigo, Michaels, Mark's, Staples, RBC
Mississauga (Erin Mills) SmartCentre	Mississauga	100%	282,674	98.0%	Walmart Supercentre, No Frills, GoodLife Fitness, Shoppers Drug Mart, Dollarama
Mississauga (Go Lands) SmartCentre	Mississauga	100%	113,005	100.0%	Real Canadian Superstore*, Toys R Us, Marshalls, Dollarama, TD Canada Trust
Mississauga (Meadowvale) SmartCentre	Mississauga	100%	557,902	99.0%	Walmart Supercentre, RONA, Home Outfitters, Winners, Staples, Michaels, Mark's, PetSmart
Niagara Falls SmartCentre	Niagara Falls	100%	249,745	100.0%	Walmart Supercentre, PetSmart, Penningtons, Dollarama, LCBO, Bulk Barn, Sleep Country
Oakville SmartCentre	Oakville	100%[2]	442,391	100.0%	Walmart Supercentre, Real Canadian Superstore, LCBO, The Beer Store, The Keg, CIBC, RBC
Orleans SmartCentre (I)	Orleans	100%	384,015	99.2%	Walmart Supercentre, Canadian Tire*, Home Outfitters, Best Buy, Shoppers Drug Mart
Oshawa North SmartCentre	Oshawa	100%	558,157	99.6%	Walmart Supercentre, Real Canadian Superstore, Home Depot*, Marshalls, Sport Chek, Best Buy, Michaels
Oshawa North SmartCentre (II)	Oshawa	100%	149,622	100.0%	Home Outfitters, Winners, PetSmart, Party Packagers, Boston Pizza, TD Canada Trust
Oshawa South SmartCentre	Oshawa	100%	536,707	100.0%	Walmart Supercentre, Lowe's, Sail, Dollarama, Urban Barn, Moores, Reitmans, CIBC, RBC
Ottawa (Laurentian Place) SmartCentre	Ottawa	50%	126,767	100.0%	Walmart Supercentre, Stantec, CIBC
Ottawa South SmartCentre	Ottawa	50%	261,551	97.5%	Walmart Supercentre, Loblaws, Cineplex Odeon, Winners, Staples, Chapters
Owen Sound SmartCentre	Owen Sound	100%	158,074	100.0%	Walmart Supercentre, Home Depot*, Penningtons, Dollarama, Bonnie Togs, Reitmans

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property. Future area may include existing area that requires further redevelopment.
[2] SmartREIT entered into a 49-year lease for this property on April 16, 2015, with an option to acquire the freehold interest at the end of the term of the lease.

RETAIL PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Pickering SmartCentre	Pickering	100%	539,182	97.0%	Walmart Supercentre, Lowe's, Sobeys, Canadian Tire*, Toys R Us, Winners, PetSmart, LCBO
Port Elgin SmartCentre	Port Elgin	100%	115,524	100.0%	Walmart Supercentre
Port Perry SmartCentre	Port Perry	100%	137,280	100.0%	Walmart Supercentre, LCBO, Mark's, Dollarama, Bulk Barn, Bank of Nova Scotia
Rexdale SmartCentre	Etobicoke	100%	35,174	100.0%	Walmart Supercentre*, Dollarama, Bank of Nova Scotia
Richmond Hill SmartCentre	Richmond Hill	50%	136,306	97.5%	Walmart Supercentre, Food Basics, Shoppers Drug Mart, HSBC, Bank of Montreal
Rutherford Village Shopping Centre	Vaughan	100%	101,538	96.6%	Sobeys, TD Canada Trust, Rogers Video, Tim Hortons
Sarnia SmartCentre	Sarnia	100%	342,617	99.1%	Walmart Supercentre, Winners, Michaels, PetSmart, LCBO, Penningtons, Dollarama
Scarborough (1900 Eglinton) SmartCentre	Scarborough	100%	380,090	100.0%	Walmart Supercentre, Winners, Mark's, LCBO, David's Bridal, Bank of Montreal
Scarborough East SmartCentre	Scarborough	100%	282,156	98.9%	Walmart Supercentre, Cineplex Odeon, LCBO, Reitmans, Boston Pizza, Sleep Country
St. Catharines West SmartCentre (I)	St. Catharines	100%	402,213	97.6%	Walmart Supercentre, Real Canadian Superstore*, Canadian Tire*, Home Outfitters, Best Buy
St. Catharines West SmartCentre (II)	St. Catharines	100%	120,438	98.9%	The Brick, Michaels, Shoppers Drug Mart, Golf Town, Bouclair
St. Thomas SmartCentre	St. Thomas	100%	224,351	94.8%	Walmart Supercentre, Real Canadian Superstore*, Canadian Tire*, Staples, Dollar Tree
Stoney Creek SmartCentre	Stoney Creek	100%	257,064	100.0%	Walmart Supercentre, Toys R Us, Dollar Tree
Stouffville SmartCentre	Stouffville	100%	162,968	100.0%	Walmart Supercentre*, Canadian Tire, Winners, Staples, Dollarama, Bouclair, Bulk Barn
Sudbury South SmartCentre	Sudbury	100%	233,046	100.0%	Walmart Supercentre, LCBO, Mark's, Dollarama, Bouclair
Toronto Premium Outlets (Halton Hills)	Halton Hills	50%	179,334	100.0%	The Bay Outlet, Polo Ralph Lauren, Restoration Hardware, Nike, Columbia, Coach
Toronto Stockyards SmartCentre	Toronto	100%	8,615	100.0%	Walmart*, Bank of Montreal, CitiFinancial
Vaughan (400 & 7) SmartCentre	Vaughan	100%	229,557	100.0%	Sail, The Brick, Home Depot*, Staples, Value Village, GoodLife Fitness
Vaughan Northwest SmartCentre	Vaughan	100%	161,338	100.0%	Walmart Supercentre, CIBC
Vaughan SmartCentre	Vaughan	50%	97,623	100.0%	Walmart Supercentre, Home Outfitters
Waterloo SmartCentre	Waterloo	100%	181,607	100.0%	Walmart Supercentre, Value Village, Mark's, Dollarama
Welland SmartCentre	Welland	100%	240,663	100.0%	Walmart Supercentre, Canadian Tire*, RONA, Mark's, Dollar Tree
Westside Mall	Toronto	100%	144,407	95.8%	Canadian Tire, FreshCo., Dollar Tree, CIBC
Whitby North SmartCentre	Whitby	100%	279,153	97.7%	Walmart Supercentre, Real Canadian Superstore*, Mark's, LCBO, Bank of Nova Scotia
Whitby Northeast SmartCentre	Whitby	100%	39,249	100.0%	Boston Pizza, Swiss Chalet, Popeyes, Bell World, RBC
Whitby Shores Shopping Centre	Whitby	100%	85,470	100.0%	Metro, LCBO, Bank of Nova Scotia, Lovell Drugs, Pet Valu, Tim Hortons
Windsor South SmartCentre	Windsor	100%	234,335	92.6%	Walmart Supercentre, PartSource, Dollarama, PetSmart, Moores, The Beer Store, CIBC
Woodbridge SmartCentre	Woodbridge	50%	216,983	95.4%	Canadian Tire*, Fortinos*, Winners, Best Buy, Toys R Us, Chapters, Michaels, Sport Chek
Woodstock SmartCentre	Woodstock	100%	257,220	100.0%	Walmart Supercentre, Canadian Tire*, Staples, Mark's, Bonnie Togs, Reitmans, Dollar Tree
Blainville SmartCentre	Blainville	100%	177,378	100.0%	Walmart Supercentre, Dollarama, Bulk Barn, Bank of Nova Scotia, RBC
Hull SmartCentre	Hull	50%	161,322	100.0%	Walmart Supercentre, Loblaws*, RONA*, Famous Players*, Super C*, Winners, Staples
Kirkland SmartCentre	Kirkland	100%	207,216	100.0%	Walmart Supercentre, The Brick
Lachenaie SmartCentre	Lachenaie	50%	141,292	100.0%	Walmart Supercentre, HomeSense, Value Village, Michaels, Bouclair, Structube
Laval Central SmartCentre	Laval	100%	159,779	100.0%	Walmart Supercentre, Leon's*
Laval East SmartCentre	Laval	100%	534,789	99.5%	Walmart Supercentre, Canadian Tire, IGA, Winners, Michaels, Bouclair, Dollarama, SAQ
Laval West SmartCentre	Laval	100%	575,676	99.5%	Walmart Supercentre, RONA, Canadian Tire*, IGA*, Michaels, Home Outfitters, Staples
Mascouche North SmartCentre	Mascouche	100%	56,228	100.0%	RONA*, Jean Coutu, Structube, McDonald's, Bulk Barn
Mascouche SmartCentre	Mascouche	100%	407,799	97.7%	Walmart Supercentre, IGA, Home Outfitters, Winners, Staples, Best Buy, Bouclair, Mark's
Montreal (Decarie) SmartCentre	Montreal	50%	132,434	97.2%	Walmart, Toys R Us, Baton Rouge, Suzy Shier, P.F. Chang's, Bulk Barn, Carter's Osh Kosh
Montreal North SmartCentre	Montreal	100%	257,694	100.0%	Walmart Supercentre, IGA, Winners, Dollarama, Le Chateau, Sleep Country, TD Canada Trust
Montreal Premium Outlets (Mirabel)	Mirabel	50%	182,838	95.4%	The Bay Outlet, Polo Ralph Lauren, Old Navy, Nike, Urban Planet, Tommy Hilfiger, Coach

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property. Future area may include existing area that requires further redevelopment.

RETAIL PROPERTIES	LOCATION	OWNERSHIP	NRA[1] (SQ. FT.)	OCCUPANCY	MAJOR TENANTS
Place Bourassa Mall	Montreal	100%	221,737	100.0%	Canadian Tire, Super C, Pharmaprix, L'Aubainerie, SAQ, Yellow
Rimouski SmartCentre	Rimouski	100%	243,740	98.9%	Walmart, Tanguay*, Super C*, Winners, Best Buy, SAQ, Dollarama, Clement, Scores, Mark's
Saint-Constant SmartCentre	Saint-Constant	100%	394,615	99.5%	Walmart Supercentre, Home Depot*, Super C, L'Aubainerie Concept Mode, Michaels
Saint-Jean SmartCentre	Saint-Jean	100%	249,981	98.8%	Walmart Supercentre, Maxi*, Michaels, Mark's, Bouclair, Reitmans, TD Canada Trust
Saint-Jerome SmartCentre	Saint-Jerome	100%	164,001	100.0%	Walmart Supercentre*, Home Depot*, IGA, Michaels, Bouclair, Dollarama
Sherbrooke SmartCentre	Sherbrooke	100%	243,804	99.2%	Walmart Supercentre, Canadian Tire*, Home Depot*, The Brick, Michaels, Mark's
Valleyfield SmartCentre	Valleyfield	100%	188,252	100.0%	Walmart Supercentre, Dollarama, SAQ, Reitmans, Claire France, Yellow
Vaudreuil SmartCentre	Vaudreuil-Dorion	100%	15,249	100.0%	Walmart Supercentre*, Brunet, Coco Fruitti
Victoriaville SmartCentre	Victoriaville	100%	37,784	100.0%	Walmart*, Home Depot*, Maxi*, Winners, Reitmans
Fredericton North SmartCentre	Fredericton	100%	11,390	100.0%	Walmart Supercentre*, Canadian Tire*, Kent*, Dollarama
Saint John SmartCentre	Saint John	100%	261,298	97.2%	Walmart Supercentre, Kent*, Canadian Tire*, Winners, Best Buy, Old Navy, Pier 1 Imports
Colby Village Plaza	Dartmouth	100%	152,633	98.5%	Walmart, Atlantic Superstore, Cleves Source for Sports, Pharmasave, Bank of Nova Scotia
Halifax Bayers Lake Centre	Halifax	100%	167,788	93.5%	Atlantic Superstore*, Winners, Cleve's Warehouse Sporting Goods, Bouclair
Charlottetown SmartCentre	Charlottetown	100%	225,057	98.2%	Walmart Supercentre, Toys R Us*, Michaels, Best Buy, Old Navy
Corner Brook SmartCentre	Corner Brook	100%	178,988	100.0%	Walmart, Canadian Tire*, Dominion (Loblaw)*, Staples, Mark's, Buck or Two, Bulk Barn
Mount Pearl SmartCentre	Mount Pearl	100%	268,534	100.0%	Walmart, Dominion (Loblaw)*, Canadian Tire*, Staples, GoodLife Fitness, Mark's, CIBC
Pearlgate Shopping Centre	Mount Pearl	100%	42,951	89.0%	Shoppers Drug Mart, Bulk Barn, TD Canada Trust
St. John's Central SmartCentre	St. John's	100%	157,806	100.0%	Walmart*, Home Depot*, Canadian Tire*, Sobeys, Staples, Mark's, Dollarama, Moores
St. John's East SmartCentre	St. John's	100%	370,621	100.0%	Walmart, Dominion (Loblaw)*, Winners, Staples, Michaels, Sport Chek
Total Net Rentable Area			31,054,845		

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property. Future area may include existing area that requires further redevelopment.

RETAIL DEVELOPMENT LANDS	LOCATION	OWNERSHIP	AREA UPON COMPLETION[1]	MAJOR TENANTS
Quesnel SmartCentre	Quesnel	100%	0	Walmart Supercentre*
British Colonial Building	Toronto	100%	17,415	Irish Embassy Pubs Inc.
Dunnville SmartCentre	Dunnville	100%	87,721	Canadian Tire*, Sobeys*
Innisfil SmartCentre	Innisfil	50%	69,872	–
Laurentian Power Centre	Kitchener	100%	185,993	RONA*, Zehrs*, Home Outfitters, Staples, CIBC
Orleans SmartCentre (II)	Orleans	60%	132,154	–
South Oakville Centre	Oakville	100%	323,893	Metro, Shoppers Drug Mart, LCBO, The Beer Store, CIBC, TD Canada Trust
StudioCentre	Toronto	50%	453,589	–
Jonquière SmartCentre[2]	Jonquière	100%	0	–
Mirabel SmartCentre (I)	Mirabel	33%	85,333	–
Mirabel SmartCentre (II)	Mirabel	25%	33,750	–
Total Area Upon Completion			1,389,720	

* Non-owned anchor.
[1] Represents SmartREIT's interest in the net rentable area of the property. Future area may include existing area that requires further redevelopment.
[2] Acquired 100% interest in the property on December 7, 2015. Redevelopment of the property is currently under review.

MD&A and Financials

Financial Highlights

(in millions of dollars, except per Unit information)	**2015**	2014	Change
Net income excluding loss on disposition and fair value adjustments	**285.5**	242.2	43.3
Rentals from investment properties[1]	**670.3**	607.6	62.7
NOI[1,2]	**438.0**	395.9	42.1
FFO excluding adjustments[3]	**309.6**	264.9	44.7
Per Unit Information			
FFO excluding adjustments[3]	**$2.10**	$1.95	$0.15
AFFO[3]	**$1.99**	$1.84	$0.15
Distributions	**$1.61**	$1.56	$0.05
Payout ratio (to AFFO)[4]	**81.1%**	84.7%	(3.6)%

[1] Includes the Trust's share of investment in associates.

[2] Defined as rentals from investment properties less property operating costs.

[3] See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.

[4] Payout ratio is calculated as distributions per Unit divided by Adjusted Funds From Operations per Unit.

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Management's Discussion and Analysis of Results of Operations and Financial Condition

For the Year Ended December 31, 2015

This Management's Discussion and Analysis ("MD&A") sets out Smart Real Estate Investment Trust's ("SmartREIT" or the "Trust", formerly known as Calloway Real Estate Investment Trust) strategies and provides an analysis of the financial performance and financial condition for the year ended December 31, 2015, the risks facing the business and management's outlook.

This MD&A should be read in conjunction with the Trust's audited consolidated financial statements for the years ended December 31, 2015 and 2014 and the notes contained therein. Such consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Canadian dollar is the functional and reporting currency for purposes of preparing the consolidated financial statements.

This MD&A is dated February 10, 2016, which is the date of the press release announcing the Trust's results for the year ended December 31, 2015. Disclosure contained in this MD&A is current to that date, unless otherwise noted.

Presentation of Non-GAAP Measures

Readers are cautioned that certain terms used in this MD&A such as Funds From Operations ("FFO"), Adjusted Funds From Operations ("AFFO"), Net Operating Income ("NOI"), "Interest Coverage", "Aggregate Assets", "Gross Book Value", "Debt to Service", Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"), "Secured Indebtedness", "Payout Ratio", and any related per Variable Voting Unit of the Trust (a "Unit") amounts used by management to measure, compare and explain the operating results and financial performance of the Trust do not have any standardized meaning prescribed under IFRS and, therefore, should not be construed as alternatives to net income or cash flow from operating activities calculated in accordance with IFRS. These terms are defined in this MD&A and reconciled to the consolidated financial statements of the Trust for the year ended December 31, 2015. Such terms do not have a standardized meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other publicly traded entities. See "Other Measures of Performance", "Net Operating Income", "Debt" and "Financial Covenants".

EBITDA is a non-IFRS measure that comprises net earnings less income taxes, interest expense, amortization expense and depreciation expense. It is a metric that can be used to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its unitholders ("Unitholders"). EBITDA is reconciled with net income, which is the closest IFRS measure (see "Financial Covenants").

Adjusted EBITDA, as defined by the Trust, is a non-IFRS measure that comprises net earnings less income taxes, interest expense, amortization expense and depreciation expense, as well as gains and losses on disposal of investment properties and the fair value changes associated with investment properties and financial instruments. It is a metric that can be used to help determine the Trust's ability to service its debt, finance capital expenditures and provide for distributions to its Unitholders. Additionally, Adjusted EBITDA removes the non-cash impact of the fair value changes and gains and losses on investment property dispositions. Adjusted EBITDA is reconciled with net income, which is the closest IFRS measure (see "Financial Covenants").

The ratio of Total Debt to Adjusted EBITDA is included and calculated each period to provide information on the level of the Trust's debt versus the Trust's ability to service that debt. Adjusted EBITDA is used as part of this calculation because the fair value changes and gains and losses on investment property dispositions do not have an impact on cash flow, which is a critical part of this measure. See "Financial Covenants" for a reconciliation of this ratio.

Forward-Looking Information

Certain statements in this MD&A are "forward-looking statements" that reflect management's expectations regarding the Trust's future growth, results of operations, performance and business prospects and opportunities as outlined under the headings "Business Overview and Strategic Direction" and "Outlook". More specifically, certain statements contained in this MD&A, including statements related to the Trust's maintenance of productive capacity, estimated future development plans and costs, view of term mortgage renewals including rates and upfinancing amounts, timing of future payments of obligations, intentions to secure additional financing and potential financing sources, and vacancy and leasing assumptions, and statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions and statements relating to matters that are not historical facts, constitute "forward-looking statements". These forward-looking statements are presented for the purpose of assisting the Trust's Unitholders and financial analysts in understanding the Trust's operating environment, and may not be appropriate for other purposes. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.

However, such forward-looking statements involve significant risks and uncertainties, including those discussed under the heading "Risks and Uncertainties" and elsewhere in this MD&A. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based on what management believes to be reasonable assumptions, including those discussed under the heading "Outlook" and elsewhere in this MD&A, the Trust cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These forward-looking statements are made as at the date of this MD&A and the Trust assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required by applicable securities legislation.

All amounts in the MD&A are in thousands of Canadian dollars, except where otherwise stated. Per Unit amounts are on a diluted basis, except where otherwise stated.

Additional information relating to the Trust, including the Trust's Annual Information Form for the year ended December 31, 2015 can be found at www.sedar.com.

Business Overview and Strategic Direction

The Trust is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta. The Units of the Trust are listed and publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "SRU.UN", formerly "CWT.UN".

The Trust's vision is to create exceptional places to shop and work. The Trust's purpose is to develop, lease, construct, own and manage shopping centres that provide retailers with a platform to reach their customers through convenient locations, intelligent designs, and a desirable tenant mix, and more recently to provide high quality office space for tenants to locate effective workspaces.

The Trust's shopping centres focus on value-oriented retailers and include the strongest national and regional names as well as strong neighbourhood merchants. It is expected that Walmart will continue to be the dominant anchor tenant in the portfolio and that its presence will continue to attract other retailers and consumers. The Trust's first newly developed office tower is the KPMG Tower located at the Vaughan Metropolitan Centre ("VMC") in Vaughan, Ontario.

As at December 31, 2015, the Trust owned 139 shopping centres with total gross leasable area of 31.1 million square feet and 11 development properties, located in communities across Canada. Generally, the Trust's centres are conveniently located close to major highways, which, along with the anchor stores, provide significant draws to the Trust's portfolio, attracting both value-oriented retailers and consumers. The Trust, through a subsidiary limited partnership, acquired the right from the Penguin Group of Companies (formerly referred to as the "SmartCentres Group of Companies" and hereinafter referred to as "Penguin") for a term that renews perpetually, to use the "SmartCentres" brand, which represents a family and value-oriented shopping experience. In addition, the Trust acquired the "Smart Urban" brand which will in the future be used to describe mixed-use developments in urban settings, which will likely include a mix of retail, office and residential space.

Acquisitions

Subject to the availability of acquisition opportunities, the Trust intends to grow distributions, in part through the accretive acquisition of properties. The current environment for acquisitions is very competitive with limited supply of quality properties coming to the market. The Trust explores acquisition opportunities as they arise but will pursue only acquisitions that management believes are accretive relative to its long-term cost of capital. See "The Transaction" section for further information on the Trust's latest acquisitions.

Developments, Earnouts and Mezzanine Financing

Developments, Earnouts and Mezzanine Financing continue to be a significant component of the Trust's strategic plan. As at December 31, 2015, the Trust had approximately 5.8 million square feet of potential gross leasable area that could be developed (of which 5.0 million square feet relates to future estimated development area and 0.7 million square feet relates to lands under mezzanine financing purchase options "Mezzanine Financing"), including 0.2 million square feet of office, retail and residential space out of a total 3.0 million square feet (representing the Trust's 50% share) that is ultimately projected to be developed in the VMC. Assuming the Trust continues to successfully manage the development of leasable area and raise the capital required for such development, the Trust plans to develop approximately 4.3 million square feet of this gross leasable area for its own account ("Developments" including the VMC), approximately 0.8 million square feet of the space to be developed and leased to third parties which are subject to earnouts in favour of Penguin (controlled by Mitchell Goldhar, a trustee and significant Unitholder of the Trust) and other vendors who sold the properties to the Trust ("Earnouts") and approximately 0.7 million square feet of the space to be developed under Mezzanine Financing. Pursuant to the Transaction (as defined and described below under "The Transaction"), all leasing and development work on behalf of Penguin and other vendors is now managed by and will be completed by, the Trust under contract with those parties. Earnouts occur where the vendors retain responsibility for certain developments on behalf of the Trust for additional proceeds calculated based on a predetermined, or formula based, capitalization rate, net of land and development costs incurred by the Trust. Pursuant to the Transaction, the Trust is now responsible for managing the completion of Earnouts and Developments and charges fees to the vendors for such management. Mezzanine Financing purchase options are exercisable once a shopping centre is substantially complete and allows the Trust as a lender to acquire 50% of the completed shopping centre at agreed upon formulas.

Professional Management

Through professional management of the portfolio, the Trust intends to ensure its properties portray an image that will continue to attract consumers as well as provide preferred locations for its tenants. Well-managed properties enhance the shopping experience and ensure customers continue to visit the centres. Professional management of the portfolio has contributed to a continuing high occupancy level of 98.7% at December 31, 2015 (December 31, 2014 – 99.0%).

Financial and Operational Highlights in 2015

The Trust continued its growth through Developments, Earnouts and Acquisitions in 2015. During the year, the Trust also focused on managing the operation and development of existing properties and raising the capital required for future growth of the business. Highlights for the year include the following:

- On May 28, 2015, the Trust completed a transformative transaction involving a very significant portfolio of real estate and the SmartCentres platform (referred to herein as the "Platform" – see "The Transaction" section), transforming the Trust into a fully integrated REIT, with a full suite of capabilities from origination of development opportunities to construction, leasing and operations
- Also as part of the overall Transaction (see "The Transaction" section) and subsequent to May 28, 2015, the Trust acquired two additional development properties:
  - On September 25, 2015, the Trust completed the acquisition of a 60% interest in a development property in Orleans, Ontario, from Wal-Mart Canada Realty Inc., totalling 132,154 square feet of potential future development. The remaining 40% is owned by Penguin. The total purchase price of this acquisition was $8.8 million, which was satisfied by the assumption of a mortgage of $8.7 million, adjusted for costs of acquisition and other working capital amounts
  - On December 7, 2015, the Trust completed the acquisition of a 100% interest in a development property in Jonquière, Quebec, from Wal-Mart Canada Realty Inc. and Penguin, totalling 170,274 square feet of leasable area. The total purchase price of this acquisition including adjustments on closing was $9.0 million, which was funded by existing cash
- Funds From Operations ("FFO") increased by 16.9% to $309.6 million and 7.7% to $2.10 on a per Unit basis compared to 2014
- Adjusted Funds From Operations ("AFFO") payout ratio decreased by 3.6% to 81.1% compared to 2014
- Same properties' NOI for the year ended December 31, 2015 increased by 1.1% or $4.0 million compared to 2014
- Annual distributions increased by $0.05 to $1.65 per Unit effective October 2015
- Maintained high level occupancy of 98.7%. The Trust has two former Target store locations in the Trust's portfolio. As a result of Target's decision to leave these locations, the Trust has identified both locations for redevelopment. Had these two sites not been identified for redevelopment, the occupancy level would have been 98.1%
- Acquired an income property totalling 104,909 square feet for $25.3 million from a third party in Barrie, Ontario
- Acquired a Walmart-anchored enclosed shopping centre totalling 227,000 square feet in Maple Ridge, British Columbia, for a total purchase price of $59.4 million from a third party, which was funded by existing cash
- Completed Developments and Earnouts of 360,709 square feet of leasable area for $133.5 million, providing an unleveraged yield of 7.2%
- Issued fixed rate secured debt of $596.3 million with a weighted average term of 8.9 years and a weighted average interest rate of 3.21%
- Repaid secured debt of $168.8 million with a weighted average interest rate of 5.68%
- On May 27, 2015, the Trust issued notice of redemption of the 5.75% convertible debentures with an aggregate principal amount outstanding of $55.6 million, to be redeemed on June 30, 2015. The debenture holders had the right until June 29, 2015 to convert their debentures into Trust Units at a conversion price of $25.75 per Unit. On June 30, 2015, the Trust redeemed the balance of the 5.75% convertible debentures for $3.3 million in cash
- Issued $160.0 million of 3.556% Series N senior unsecured debentures due on February 6, 2025
- Redeemed $150.0 million aggregate principal amount of 5.37% Series B senior unsecured debentures on March 9, 2015
- Settled $100.0 million aggregate principal amount of variable rate Series K senior unsecured debentures that matured on October 16, 2015

Selected Consolidated Information

The operational and financial consolidated information shown in the table below includes the Trust's share of investment in associates, which is disclosed in Note 6 of the consolidated financial statements.

(in thousands of dollars, except per Unit and other non-financial data)	**2015**	2014	2013
Operational Information			
Number of retail and other properties	**139**	121	123
Number of properties under development	**11**	7	10
Total number of properties owned	**150**	128	133
Gross leasable area (in thousands of sq. ft.)	**31,055**	27,340	27,619
Future estimated development area (in thousands of sq. ft.)	**5,037**	2,678	3,175
Lands under Mezzanine Financing (in thousands of sq. ft.)	**700**	755	755
Occupancy	**98.7%**	99.0%	99.0%
Average lease term to maturity	**6.9 years**	6.8 years	7.4 years
Net rental rate (per occupied sq. ft.)	**$15.16**	$15.01	$14.70
Net rental rate excluding anchors (per occupied sq. ft.)[1]	**$21.87**	$21.43	$20.88
Financial Information			
Investment properties[2]	**8,168,551**	6,801,370	6,696,759
Total assets	**8,505,003**	7,107,403	7,069,889
Debt[2]	**3,823,229**	3,003,121	3,068,705
Debt to gross book value[3]	**52.2%**	50.5%	51.5%
Debt to aggregate assets	**44.7%**	42.8%	43.8%
Interest coverage[4]	**3.0X**	2.7X	2.5X
Debt to adjusted EBITDA[5]	**8.4X**	7.4X	8.1X
Equity (book value)	**4,482,571**	3,906,424	3,804,491
Rentals from investment properties[2]	**670,323**	607,553	573,003
NOI[2,6]	**437,984**	395,932	374,270
Net income excluding loss on disposition and fair value adjustments	**285,526**	242,211	235,775
Net income and comprehensive income	**319,489**	263,708	316,623
Cash provided by operating activities	**296,248**	240,649	235,821
FFO excluding adjustments[7]	**309,584**	264,883	247,127
AFFO[7]	**292,906**	251,474	234,226
Distributions declared	**239,647**	212,339	207,108
Units outstanding[8]	**154,088,207**	136,315,194	134,381,155
Weighted average – basic	**146,594,883**	135,363,993	133,156,505
Weighted average – diluted[9]	**148,297,732**	138,338,422	136,043,944
Per Unit Information (Basic/Diluted)			
Net income and comprehensive income	**$2.18/$2.15**	$1.95/$1.94	$2.38/$2.33
Net income excluding loss on disposition and fair value adjustments	**$1.95/$1.93**	$1.79/$1.78	$1.77/$1.73
FFO excluding adjustments[7]	**$2.11/$2.10**	$1.96/$1.95	$1.86/$1.85
AFFO[7]	**$2.00/$1.99**	$1.86/$1.84	$1.76/$1.75
Distributions	**$1.61**	$1.56	$1.55
Payout ratio (to AFFO)[10]	**81.1%**	84.7%	88.6%

1 Anchors are defined as tenants within a property with leasable area greater than 30,000 square feet.

2 Includes the Trust's share of investment in associates.

3 Defined as debt (excluding convertible debentures) divided by total assets plus accumulated amortization less cumulative unrealized fair value gain or loss with respect to investment property.

4 Defined as earnings before interest, income taxes, amortization, loss on sale of investment property, acquisition costs, fair value gain or loss with respect to investment property and financial instruments and adjustments relating to the early redemption of unsecured debentures in 2015 and 2014 over interest expense, where interest expense excludes the distributions on deferred units and LP Units classified as liabilities and adjustments relating to the early redemption of unsecured debentures in 2015 and 2014.

5 Defined as debt over earnings before interest, income taxes, amortization, loss on sale of investment property, acquisition costs, fair value gain or loss with respect to investment property and financial instruments and adjustments relating to the early redemption of unsecured debentures in 2015 and 2014.

6 Defined as rentals from investment properties less property operating costs.

7 See "Other Measures of Performance" for a reconciliation of these measures to the nearest consolidated financial statement measure.

8 Total Units outstanding include Trust Units and LP Units including LP Units classified as liabilities. LP Units classified as equity in the consolidated financial statements are presented as non-controlling interests.

9 The diluted weighted average includes the vested portion of the deferred unit plan and convertible debentures but does not include unvested Earnout options.

10 Payout ratio is calculated as distributions per Unit divided by Adjusted Funds From Operations per Unit.

Investment Properties

The portfolio consists of 31.1 million square feet of built gross leasable area and 5.0 million square feet of future potential gross leasable area in 150 properties and the option to acquire a 50.0% interest (0.7 million square feet) in five investment properties on their completion pursuant to the terms of Mezzanine Financing. The portfolio is located across Canada, with assets in each of the 10 provinces. The Trust targets major urban centres and shopping centres that are dominant in their trade area. By selecting well-located centres, the Trust attracts quality tenants at market rental rates.

As at December 31, 2015, the fair value of investment properties, including the Trust's share of investment properties in associates, totalled $8,168.6 million, compared to $6,801.4 million at December 31, 2014, a net year-over-year increase of $1,367.2 million. The increase is mainly due to net additions to investment properties of $1,303.1 million (including the Trust's share of investment in associates of $16.1 million), which includes the acquisition of 26 investment properties (24 of which pertain to "The Transaction") of $1,218.5 million and net fair value gains of $34.4 million (including the Trust's share of investment in associates of $1.6 million). The fair value of the investment properties is dependent on future cash flows over the holding period and capitalization rates applicable to those assets.

The following table summarizes the changes in values of investment properties:

	2015			2014		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total Investment Properties**	Income Properties	Properties Under Development	Total Investment Properties
Balance before investment in associates – beginning of year	**6,430,034**	**266,453**	**6,696,487**	6,333,668	282,172	6,615,840
Acquisition of investment properties	**969,252**	**249,285**	**1,218,537**	80,820	100	80,920
Transfer from properties under development to income properties	**120,495**	**(120,495)**	**–**	60,580	(60,580)	–
Earnout fees on the properties subject to development management agreements	**7,836**	**–**	**7,836**	7,173	–	7,173
Additions to investment properties	**10,547**	**50,880**	**61,427**	9,095	72,337	81,432
Transfer from income properties to properties under development	**(116,902)**	**116,902**	**–**	(17,674)	17,674	–
Dispositions	**–**	**(875)**	**(875)**	(107,889)	(6,447)	(114,336)
Net additions	**991,228**	**295,697**	**1,286,925**	32,105	23,084	55,189
Fair value gain (loss) on revaluation of investment properties	**50,701**	**(17,866)**	**32,835**	64,261	(38,803)	25,458
Balance before investment in associates	**7,471,963**	**544,284**	**8,016,247**	6,430,034	266,453	6,696,487
Share of investment properties classified as investment in associates	**21,600**	**130,704**	**152,304**	28,583	76,300	104,883
Balance – end of year	**7,493,563**	**674,988**	**8,168,551**	6,458,617	342,753	6,801,370

Valuation Methodology

From January 1, 2013 to the year ended December 31, 2015, the Trust has had approximately 78% (by value) or 67% (by number of properties) of its operating portfolio appraised externally by independent national real estate appraisal firms with representation and expertise across Canada.

The determination of which properties are externally appraised and which are internally appraised by management is based on a combination of factors, including property size, property type, tenant mix, strength and type of retail node, age of property and geographic location. The Trust, on an annual basis, has had external appraisals performed on 15–20% of the portfolio that commenced in the first quarter of 2014, rotating properties to ensure that at least 50% (by value) of the portfolio is valued externally over a three-year period.

The remaining portfolio is valued internally by management utilizing a valuation methodology that is consistent with the external appraisals. Management performed these valuations by updating cash flow information reflecting current leases, renewal terms and market rents and applying updated capitalization rates determined, in part, through consultation with the external appraisers and available market data. The fair value of properties under development reflects the impact of development agreements (see Note 4(b) in the consolidated financial statements for the year ended December 31, 2015 for further discussion).

Fair values were primarily determined through the income approach. For each property, the appraisers conducted and placed reliance upon: (a) a direct capitalization method, which is the appraiser's estimate of the relationship between value and stabilized income; and (b) a discounted cash flow method, which is the appraiser's estimate of the present value of future cash flows over a specified horizon, including the potential proceeds from a deemed disposition.

For the year ended December 31, 2015, investment properties (including properties under development) with a total carrying value of $2,849.8 million (December 31, 2014 – $1,877.7 million) were valued externally with updated capitalization rates and occupancy, and investment properties with a total carrying value of $5,318.8 million (December 31, 2014 – $4,923.7 million) were valued internally by the Trust. Based on these valuations, the aggregate weighted average stabilized capitalization rates on the Trust's portfolio as at December 31, 2015 and December 31, 2014 were 5.94% and 5.98%, respectively.

Acquisitions of Investment Properties

2015 Acquisitions

Property	Property Type	Acquisition Date	Acquired Leasable Area (sq. ft.)	Acquisition Cost ($ millions)	Ownership Interest Acquired
Barrie, ON	Shopping centre	February 11, 2015	104,909	25.3	100%
Alliston, ON	Shopping centre	May 28, 2015	170,770	42.8	100%
Aurora (North), ON[1]	Shopping centre	May 28, 2015	248,958	76.2	50%
Blainville, QC	Shopping centre	May 28, 2015	166,154	48.9	100%
Bracebridge, ON	Shopping centre	May 28, 2015	139,244	33.9	100%
Bradford, ON	Shopping centre	May 28, 2015	239,274	68.4	100%
Brampton, ON	Shopping centre	May 28, 2015	174,665	54.3	100%
Brampton (Bramport), ON	Shopping centre	May 28, 2015	37,857	10.7	100%
Cornwall, ON	Shopping centre	May 28, 2015	163,726	43.1	100%
Laval, QC	Shopping centre	May 28, 2015	159,779	59.1	100%
Markham (Boxgrove), ON	Shopping centre	May 28, 2015	69,008	20.0	40%
Mascouche, QC	Shopping centre	May 28, 2015	51,228	31.8	100%
Mississauga (Go Lands), ON[2]	Shopping centre	May 28, 2015	56,499	20.9	50%
Montreal (Premium Outlets), QC[3]	Premium Outlets Shopping Centre	May 28, 2015	57,459	59.5	25%
Oakville (Leasehold), ON	Shopping centre	May 28, 2015	442,391	117.3	100%
Oshawa (North II), ON	Shopping centre	May 28, 2015	149,622	49.6	100%
Oshawa (South), ON[1]	Shopping centre	May 28, 2015	268,347	65.7	50%
Port Elgin, ON	Shopping centre	May 28, 2015	115,524	22.3	100%
Stoney Creek, ON	Shopping centre	May 28, 2015	247,399	85.9	100%
Sylvan Lake, AB	Shopping centre	May 28, 2015	125,081	32.0	100%
Vaudreuil, QC	Shopping centre	May 28, 2015	15,249	10.0	100%
Vaughan, ON	Shopping centre	May 28, 2015	156,538	100.8	100%
Waterloo, ON	Shopping centre	May 28, 2015	181,607	62.8	100%
Maple Ridge, BC	Shopping centre	July 30, 2015	227,000	59.4	100%
Orleans, ON[4]	Development	September 25, 2015	–	8.8	60%
Jonquière, QC[4]	Development	December 7, 2015	–	9.0	100%
Total			**3,768,288**	**1,218.5**	

1 Prior to this acquisition, the Trust had a 50% leasehold interest and the option to acquire the remaining 50% freehold interest at the end of the lease term; as a result, the property was recorded as a co-ownership interest. On May 28, 2015, the Trust acquired a 50% freehold interest in the property, while retaining the option to acquire a 50% freehold interest at the end of the lease term, effectively giving the Trust 100% interest.

2 Prior to this acquisition, the Trust had a 50% interest and as such the property was recorded as a co-ownership interest. On May 28, 2015, the Trust acquired the other 50% interest in the property, effectively giving the Trust 100% interest.

3 Prior to this acquisition, the Trust had a 25% interest in this property. On May 28, 2015, the Trust acquired an additional 25% in this property, effectively giving the Trust a 50% interest.

4 As part of the overall Transaction (see also "The Transaction" section), the acquisitions of the development properties in Orleans, Ontario and Jonquière, Quebec, reflect the purchase of 132,154 and 170,274 square feet of leasable area, respectively.

2014 Acquisitions

Property	Property Type	Acquisition Date	Area (sq. ft.)	Acquisition Cost ($ millions)	Ownership Interest Acquired
Edmonton, AB	Shopping centre	September 10, 2014	169,217	34.7	50%
Lachenaie, QC	Shopping centre	September 10, 2014	131,725	28.4	50%
Penticton, BC	Shopping centre	December 17, 2014	54,916	17.8	100%
			355,858	80.9	

Dispositions of Investment Properties
2014 Dispositions

Property	Property Type	Disposition Date	Area (sq. ft.)	Proceeds ($ millions)	Sold Interest
Richmond, BC	Industrial	June 27, 2014	121,544	6.4	100%
Gander, NL[1]	Shopping centre	October 30, 2014	25,502	6.5	100%
Kapuskasing, ON[1]	Shopping centre	October 30, 2014	71,306	6.4	100%
Magog, QC[1]	Shopping centre	October 30, 2014	106,976	25.4	100%
Napanee, ON[1]	Shopping centre	October 30, 2014	109,565	19.3	100%
New Minas, NS[1]	Shopping centre	October 30, 2014	46,129	8.6	100%
Rockland, ON[1]	Shopping centre	October 30, 2014	147,592	29.3	100%
Truro, NS[1]	Shopping centre	October 30, 2014	132,953	15.6	100%
			761,567	117.5	

1 Proceeds from the sale totalled $111.1 million, which included the assumption of mortgages totalling $35.6 million, loans receivable of $40.3 million, and the balance paid in cash, adjusted for other working capital amounts.

Maintenance of Productive Capacity

The main focus in a discussion of capital expenditures is to differentiate between those costs incurred to achieve the Trust's longer term goals to produce increased cash flows and Unit distributions, and those costs incurred to maintain the quality of the Trust's existing cash flows.

Acquisitions of investment properties and the development of existing investment properties (Earnouts and Developments) are the two main areas of capital expenditures that are associated with increasing the productive capacity of the Trust. In addition, there are capital expenditures incurred on existing investment properties to maintain the productive capacity of the Trust ("sustaining capital expenditures").

Sustaining capital expenditures and leasing costs are funded from operating cash flow and, as such, normalized sustaining capital expenditures and leasing costs are deducted from AFFO in order to estimate a sustainable amount that can be distributed to Unitholders. Sustaining capital expenditures are those of a capital nature that are not considered to add to productive capacity and are not recoverable from tenants. These costs are incurred at irregular amounts over time. Leasing costs, which include tenant incentives and leasing commissions, vary with the timing of renewals, vacancies, tenant mix and the health of the retail market. Leasing costs are generally lower for renewals of existing tenants compared to new leases. Leasing costs also include internal expenses for leasing activities, primarily salaries which were eligible to be added back to FFO based on the revision to the definition of FFO in the Real Property Association of Canada ("REALpac") white paper published in April 2014. The sustaining capital expenditures and leasing costs are based on historical spend levels as well as anticipated spend levels over the next few years. The following is a discussion and analysis of capital expenditures of a maintenance nature (sustaining capital expenditures and leasing costs). Acquisitions and developments are discussed elsewhere in the MD&A.

Sustaining capital expenditures totalling $7.7 million and leasing costs of $7.2 million were included in the calculations of AFFO during the year (year ended December 31, 2014 – $7.7 million and $3.6 million, respectively). The Trust uses normalized sustaining capital expenditures and leasing costs to calculate AFFO on a quarterly basis and actual sustaining capital expenditures and leasing costs to calculate AFFO on an annual basis. Given that a significant proportion of the Trust's portfolio is relatively new, management does not believe that sustaining capital expenditures will impact the Trust's ability to pay distributions at its current level.

(in thousands of dollars, except per Unit amounts)	**2015**	2014	2013
Leasing commissions and salaries	**3,057**	1,180	2,163
Tenant incentives	**4,105**	2,393	3,810
Total leasing costs	**7,162**	3,573	5,973
Sustaining capital expenditures	**7,720**	7,747	4,552
	14,882	11,320	10,525
Per Unit – diluted	**0.100**	0.082	0.077

Developments and Earnouts Completed on Existing Properties

During the year ended December 31, 2015, $133.5 million of Developments and Earnouts were completed and transferred to income properties, compared to $63.4 million in 2014, summarized as follows:

	2015			2014		
(in millions of dollars)	**Area (sq. ft.)**	**Investment[1] ($)**	**Yield (%)**	Area (sq. ft.)	Investment[1] ($)	Yield (%)
Earnouts	**43,850**	**14.4**	**6.6**	79,731	21.4	7.7
Developments	**316,859**	**119.1**	**7.3**	196,829	42.0	7.9
	360,709	**133.5**	**7.2**	276,560	63.4	7.8

[1] The total investment amount excludes a fair value loss of $5.1 million (December 31, 2014 – included a fair value gain of $4.4 million).

Properties Under Development

At December 31, 2015, the fair value of properties under development totalled $675.0 million, compared to $342.8 million at December 31, 2014. The net increase of $332.2 million is primarily the result of acquisitions of properties under development of $249.3 million, additional development costs of $102.2 million (including the Trust's share of investment in associates of $51.3 million), transfers from investment properties to properties under development of $116.9 million, partially offset by a loss on revaluation of $17.3 million (which includes a gain from the Trust's share of investment in associates of $0.6 million) and Developments and Earnouts transferred to income properties totalling $120.5 million.

Properties under development as at December 31, 2015 and December 31, 2014 comprise the following:

(in thousands of dollars)	**2015**	2014
Earnouts subject to option agreements[1]	**85,632**	82,263
Developments	**458,652**	184,190
Investment in associates	**130,704**	76,300
	674,988	342,753

[1] Earnout development costs during the development period are paid by the Trust and funded through interest-bearing secured debt provided by the vendors to the Trust. On completion of the development and the commencement of lease payments by a tenant, the Earnouts will be acquired from the vendors based on predetermined or formula capitalization rates ranging from 5.71% to 8.23%, net of land and development costs incurred. Penguin has contractual options to acquire Trust and LP Units on completion of Earnout Developments as shown in Note 12(b) of the consolidated financial statements for the year ended December 31, 2015.

Potential Future Pipeline

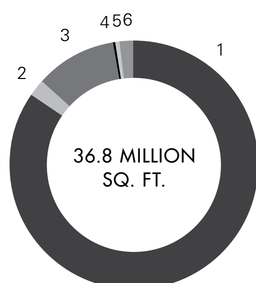
Total future Earnouts, Developments and options under Mezzanine Financing could increase the existing Trust portfolio by an additional 5.7 million square feet. With respect to the future pipeline, commitments have been negotiated on 205,000 square feet.

In addition to these initiatives, the Trust is currently assessing additional future potential intensification opportunities that may exist in its portfolio:

- Pending finalization of the development plan with the City of Vaughan, the VMC will over time have the potential to add an additional 2.8 million square feet of office, retail and residential space (representing the Trust's 50% share).
- The Trust has identified in excess of 0.3 million square feet of retail space that may be located on its existing sites, and is also investigating mixed-use opportunities which could add over 4.0 million square feet of residential and commercial space to its sites over the medium to long-term.

GROSS LEASABLE AREA UPON COMPLETION OF PIPELINE

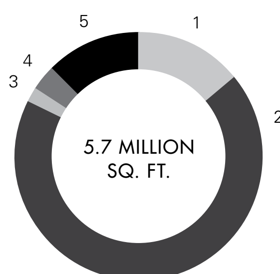
(in millions of sq. ft.)



1. Income Producing – 31.1 million sq. ft.
2. Remaining Earnouts – 0.8 million sq. ft.
3. Remaining Developments – 3.9 million sq. ft.
4. Premium Outlets – 0.1 million sq. ft.
5. VMC (Phase 1) – 0.2 million sq. ft.
6. Mezzanine Financing – 0.7 million sq. ft.

FUTURE LEASABLE AREA UPON COMPLETION OF PIPELINE

(in millions of sq. ft.)



1. Remaining Earnouts – 0.8 million sq. ft.
2. Remaining Developments – 3.9 million sq. ft.
3. Premium Outlets – 0.1 million sq. ft.
4. VMC (Phase 1) – 0.2 million sq. ft.
5. Mezzanine Financing – 0.7 million sq. ft.

(in thousands of square feet)	Committed	Years 0–3	Beyond Year 3	Total[1]
Earnouts	67	275	411	753
Developments	75	1,504	2,345	3,924
Premium Outlets	–	80	50	130
VMC (Phase 1)	63	167	–	230
	205	2,026	2,806	5,037
Mezzanine Financing	–	–	700	700
	205	2,026	3,506	5,737

1 The timing of development is based on management's best estimates and can be adjusted based on business conditions.

During the year ended December 31, 2015, the future properties under development pipeline increased by 2,359,000 square feet to a total of 5,037,000 square feet. The change is summarized as follows:

(in thousands of square feet)	Total Area
Future properties under development pipeline – January 1, 2015	2,678
Add:	
Acquisitions	1,767
Net adjustment to project densities	459
Properties transferred from investment properties to properties under development	500
Less:	
Completion of Earnouts and Developments during the period	(367)
Net adjustment	2,359
Future properties under development pipeline – December 31, 2015	5,037

Committed Pipeline

The following table summarizes the committed investment by the Trust in properties under development as at December 31, 2015:

(in millions of dollars)	Total	Cost Incurred	Future Development Costs
Earnouts	25	5	20
Developments	24	7	17
	49	12	37
VMC (Phase 1)	35	17	18
	84	29	55

The completion of these committed Earnouts and Developments as currently scheduled is expected to have an average estimated yield of 6.7% in 2016 and 6.1% in 2017, which based on the committed lease arrangements with respect to such Earnouts and Developments should increase the FFO per Unit by $0.005 in 2016 and an additional $0.004 in 2017 assuming annualized rents and a 55% debt to equity ratio.

Uncommitted Pipeline

The following table summarizes the estimated future investment by the Trust in properties under development; it is expected the future development costs will be spent over the next three years and beyond:

(in millions of dollars)	Years 0–3	Beyond Year 3	Total	Cost Incurred[1]	Future Development Costs
Earnouts	97	118	215	8	207
Developments	475	779	1,254	482	772
Premium Outlets	51	24	75	6	69
	623	921	1,544	496	1,048
VMC (Phase 1)	89	38	127	46	81
	712	959	1,671	542	1,129

1 Properties under development as recorded on the consolidated balance sheet totalled $675.0 million (including investment in associates of $130.7 million) which consists of costs of $542.0 million in the uncommitted pipeline, costs of $29.0 million in the committed pipeline, and costs of $169.4 million of future development land in VMC less $64.4 million of non-cash development costs relating to future land development and cumulative fair value loss on revaluation of properties under development.

Approximately 13.7% of the properties under development, representing 0.8 million square feet and a gross investment of $240.0 million, are lands that are under contract by vendors to develop and lease to third parties for additional proceeds when developed. In certain events, the developer may sell the portion of undeveloped land to accommodate the construction plan that provides the best use of the property. It is management's intention to finance the costs of construction through interim financing or operating facilities and, once rental revenue is realized, long-term financing will be negotiated. With respect to the remaining gross leasable area, it is expected that 4.3 million square feet of future space will be developed as the Trust leases space and finances the construction costs except for the first phase of VMC which is approximately 40% leased to the anchor tenant.

Investment in Associates

In 2012, the Trust entered into a 50:50 partnership with Penguin to develop VMC, which is expected when fully developed to consist of approximately 6.0 million square feet in total on 53 acres of development land in Vaughan, Ontario. The Trust has determined it has significant influence over the investment and, accordingly, has accounted for its investment using the equity method of accounting. Should there be any proposed activity that could cause the Trust to violate its real estate investment trust ("REIT") status as certain developments may be prohibited under the specified investment flow-through ("SIFT") trust rules and other circumstances, the Trust has an option to put certain portions of its interest in the arrangement at fair value and may be required to provide financing to Penguin.

Management considers VMC as part of its normal portfolio and does not distinguish it from its other operations. For the purpose of this MD&A, information about VMC has been included in the "Investment Properties", "Debt", "Results of Operations" and "Other Measures of Performance" sections, at the Trust's proportionate share.

The first new development by the joint venture is a 360,000 square foot office complex with KPMG as lead tenant, which commenced construction in the first quarter of 2014. The site will contain the terminus of the Spadina-York University subway extension. The subway station is expected to open in late 2017. On January 19, 2015, the Trust completed development financing of approximately $189.0 million, of which the Trust's share is 50%, which bears an interest rate of banker's acceptance rates plus 1.40%, is secured by a first charge over the property and matures on January 16, 2019. On February 27, 2015, the Trust entered into an agreement to fix the banker's acceptance rate at 1.48%, which resulted in a fixed effective interest rate of 2.88% locked for the term and extended the loan maturity date to January 16, 2020. The financing comprises pre-development, construction and letters of credit facilities. The obligations of the credit facilities are joint and several to each of the VMC general partners. As at December 31, 2015, the remaining unused development facility was $119.4 million, of which the Trust's share is 50%.

The following summarizes key components relating to the Trust's investment in associates:

(in thousands of dollars)	**2015**	2014
Investment – beginning of year	**100,179**	77,538
Contributions	**6,350**	18,180
Earnings	**1,597**	5,226
Distributions received	**(578)**	(765)
Investment – end of year	**107,548**	100,179

Mortgages, Loans and Notes Receivable and Interest Income

(in thousands of dollars)	**2015**	2014
Mortgages, loans and notes receivable		
Mortgages receivable (Mezzanine Financing)	**127,333**	137,110
Loans receivable	**61,600**	51,814
Notes receivable	**2,928**	2,928
	191,861	191,852
Interest income		
Mortgage and loan interest	**11,009**	9,992
Note receivable interest	**265**	263
Bank interest	**721**	1,005
	11,995	11,260

Mortgages Receivable (Mezzanine Financing)
In addition to direct property acquisitions, the Trust provides Mezzanine Financing to developers on terms that include an option to acquire an interest in the mortgaged property on substantial completion. As at December 31, 2015, the Trust had total commitments of $278.9 million to fund mortgages receivable under this program. Five mortgages have an option entitling the Trust to acquire a 50% interest in the property on substantial completion at an agreed-formula. The acquisition options on two of the previous mortgages have already been exercised in prior years. The properties under the Mezzanine Financing have 0.7 million potential square feet available (discussed in "Potential Future Pipeline").

The details of the mortgages receivable are set out in the following table:

Project	Amount Outstanding ($ thousands)	Committed ($ thousands)	Maturity Date	Interest Rate	Option (%)	Potential Area Upon Exercising Purchase Option (sq. ft.)
Pitt Meadows, BC[1]	23,693	60,119	December 2017	6.93%	50%	225,303
Salmon Arm, BC[2,3]	15,671	23,264	October 2017	4.32%	–	–
Aurora (South), ON[4]	13,916	34,807	June 2020	6.75%	50%	95,268
Caledon (Mayfield), ON	8,048	10,372	December 2016	7.00%	50%	–
Innisfil, ON[2,5]	18,275	27,077	December 2020	2.84%	–	–
Mirabel (Shopping Centre), QC[6]	–	18,262	December 2022	7.50%	–	–
Mirabel (Option Lands), QC[7]	–	5,721	December 2022	7.50%	–	–
Toronto (StudioCentre), ON[2]	23,257	36,102	December 2017	6.87%	50%	226,794
Vaughan (7 & 427), ON[8]	24,473	63,173	December 2020	6.75%	50%	152,525
	127,333	278,897		5.96%		699,890

1 At October 31, 2015, the rate changed to Canada Bond Yield plus 4%. Up to October 31, 2015, the rate was based on the monthly variable rate based on a fixed rate of 7.25% on loans outstanding up to $15.0 million and a fixed rate of 7.75% on any additional loans above $15.0 million.

2 The Trust owns a 50% interest. The loan is secured against the remaining 50%.

3 Monthly variable rate based on a fixed rate of 6.35% on loans outstanding up to $7.2 million and the banker's acceptance rate plus 1.75% on any additional loans above $7.2 million.

4 On July 1, 2015, the rate for the outstanding loan balance reset to 6.75% based on the December 2012 agreement. Up to June 30, 2015, the interest rate was based on the 20 day average Canada Bond Yield plus 4%. Further, the agreement requires the adjusted interest rate to be in the range of 6.75% to 7.75%, otherwise it will adjust up or down accordingly.

5 Monthly variable rate based on the banker's acceptance rate plus 2.00%.

6 The Trust owns a 33.3% interest. The loan is secured against a 33.3% interest owned by one of the joint venture partners.

7 The Trust owns a 25% interest. The loan is secured against a 25% interest owned by one of the joint venture partners.

8 On January 1, 2015, the rate for the outstanding loan balance reset to 6.75% based on the December 2012 agreement. Up to December 31, 2014, the interest rate was based on 7.25% per annum. Starting January 1, 2015, the interest rate is based on a fixed rate equal to the four-year Canada Bond Yield plus 4% per annum, calculated based on the 20-day average immediately preceding December 31, 2014. Further, the agreement requires the adjusted interest rate to be in the range of 6.75% to 7.75%, otherwise it will be adjusted up or down accordingly.

As at December 31, 2015, mortgages totalling $127.3 million had been advanced to Penguin at a weighted average interest rate of 5.96% per annum. During the year ended December 31, 2015, including monthly interest accruals, $8.1 million was advanced and $17.9 million was repaid. The mortgages are interest only up to a predetermined maximum with rates ranging from a variable rate based on the banker's acceptance rate plus 1.75% to 2.00% and at a fixed rate of 6.75% to 7.50%. The mortgages mature on various dates between 2016 and 2022 with options to extend under certain conditions. The mortgage security includes a first or second charge on properties, assignments of rents and leases and general security agreements. In addition, $107.7 million of the outstanding balance is guaranteed by Penguin. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on the extension amounts as of December 31, 2015 for all nine loans. The guarantees decrease upon achievement of certain specified value-enhancing events.

Assuming that developments are completed as anticipated, and assuming that borrowers repay their mortgages in accordance with the terms of the agreements governing such mortgages, expected repayments of the outstanding balances would be as follows:

(in thousands of dollars)	Mortgages (#)	Principal Repayments ($)
2016	1	8,048
2017	3	62,622
2020	3	56,663
	7	127,333

Loans Receivable

Loans receivable as at December 31, 2015 of $64,528 (December 31, 2014 – $54,742) comprise the following:

- Notes receivable of $2.9 million (December 31, 2014 – $2.9 million) have been granted to Penguin. These secured demand notes bear interest at 9.00% per annum. During the year ended December 31, 2015, $nil (year ended December 31, 2014 – $0.01 million was advanced) was advanced or repaid.
- Loan receivable of $11.5 million (December 31, 2014 – $11.5 million) has been provided pursuant to an agreement with an unrelated party. The loan bears interest at 4.50%, matures in 2018 and is secured by either a first or second charge on properties, assignments of rents and leases and general security agreements. During the year ended December 31, 2015, $nil (year ended December 31, 2014 – $nil) was advanced or repaid.
- Loan receivable of $40.3 million (December 31, 2014 – $40.3 million) has been provided pursuant to an agreement with OneREIT. The loan matures at October 30, 2016, is secured by a subordinate charge on seven properties, bears interest at 5.75% during the first year and 6.75% during the second year, and is repayable before the maturity date without penalty.
- Loan receivable of $9.8 million (December 31, 2014 – $nil) has been provided pursuant to a development management agreement with Penguin with a total loan facility of $20.0 million. The loan bears interest at 10 basis points plus the lower of: i) the Canadian prime rate plus 45 basis points or ii) the Canadian Dealer Offer Rate ("CDOR") plus 145 basis points. The loan facility matures in 2020, however repayment of the pro-rata share of the outstanding loan amount is due upon the completion of each Earnout event.

Debt

As at December 31, 2015, indebtedness was $3,823.2 million compared to $3,003.1 million as at December 31, 2014, as follows:

(in thousands of dollars)	**2015**	2014
Secured debt	**2,637,579**	1,695,095
Unsecured debentures	**1,142,945**	1,232,618
Revolving operating facility	**10,000**	17,000
Convertible debentures	**–**	56,987
Total before investment in associates	**3,790,524**	3,001,700
Share of debt classified as investment in associates	**32,705**	1,421
	3,823,229	3,003,121

Secured Debt

Secured debt consists of term mortgages, development loans, and conduit and other non-conduit loans. As at December 31, 2015, secured debt was $2,637.6 million, compared to $1,695.1 million as at December 31, 2014.

(in thousands of dollars)	**2015**	2014
Balance – beginning of year	**1,695,095**	1,927,924
Borrowings	**605,409**	83,962
Loans assumed	**645,505**	–
Scheduled amortization	**(66,095)**	(60,515)
Repayments	**(237,868)**	(255,872)
Amortization of acquisition date fair value adjustments, net of additions	**(2,812)**	(1,529)
Financing costs incurred relating to term mortgages, net of amortization	**(1,655)**	1,125
Balance – end of year	**2,637,579**	1,695,095

Secured debt bears interest at a weighted average contractual interest rate of 3.87% (December 31, 2014 – 5.03%) and matures on various dates from 2016 to 2031. Including acquisition date fair value adjustments, the effective weighted average interest rate on secured debt is 3.85% (December 31, 2014 – 5.02%). The weighted average years to maturity, including the timing for payments of principal amortization and debt maturing, is 5.4 years (December 31, 2014 – 5.3 years).

During the year, the Trust obtained secured debt of $605.4 million, of which $596.3 million related to fixed rate secured debt with a weighted average term of 8.9 years and a weighted average interest rate of 3.21%. Also during the year, the Trust assumed secured debt of $645.5 million with a weighted average term of 4.5 years and a weighted average interest rate of 2.52%.

The Trust continues to have access to secured debt due to its strong tenant base and high occupancy levels at mortgage loan levels ranging from 60% to 70% of loan to value. Secured debt maturities remain low for the next several years. If maturing mortgages in 2016 and 2017 were refinanced at a 10-year rate of 3.34%, annualized FFO would increase by $0.01 and $0.009 per Unit, respectively.

Future principal payments as a percentage of secured debt are as follows:

(in thousands of dollars)	Payments of Principal Amortization ($)	Debt Maturing During Year ($)	Total ($)	Total (%)	Weighted Average Interest Rate of Maturing Debt (%)
2016	74,842	146,040	220,882	8.37	4.39
2017	76,144	240,274	316,418	12.01	3.89
2018	61,715	334,192	395,907	15.03	4.14
2019	56,873	337,416	394,289	14.97	2.58
2020	51,859	115,091	166,950	6.34	5.35
Thereafter	208,706	931,547	1,140,253	43.28	3.97
Total	530,139	2,104,560	2,634,699	100.00	3.87
Acquisition date fair value adjustment			10,506		
Unamortized financing costs			(7,626)		
			2,637,579		

The debt maturing by type of lender is as follows:

(in thousands of dollars)	Banks and Other Non-Conduit Loans	Conduit Loans	Total
2016	88,694	57,346	146,040
2017	195,386	44,888	240,274
2018	334,192	–	334,192
2019	337,416	–	337,416
2020	74,888	40,203	115,091
Thereafter	814,373	117,174	931,547
	1,844,949	259,611	2,104,560

Unsecured Debentures
Issued and outstanding as at December 31, 2015:

(in thousands of dollars)	Maturity Date	Annual Interest Rate	**2015**	2014
Series B	October 12, 2016	5.370%	**–**	150,000
Series F	February 1, 2019	5.000%	**100,000**	100,000
Series G	August 22, 2018	4.700%	**90,000**	90,000
Series H	July 27, 2020	4.050%	**150,000**	150,000
Series I	May 30, 2023	3.985%	**200,000**	200,000
Series J	December 1, 2017	3.385%	**150,000**	150,000
Series K	October 16, 2015	3-month CDOR[1] plus 1.38%	**–**	100,000
Series L	February 11, 2021	3.749%	**150,000**	150,000
Series M	July 22, 2022	3.730%	**150,000**	150,000
Series N	February 6, 2025	3.556%	**160,000**	–
			1,150,000	1,240,000
Less: Unamortized financing costs			**(7,055)**	(7,382)
			1,142,945	1,232,618

[1] Canadian Dealer Offered Rate.

Issuances
On February 6, 2015, the Trust issued $160.0 million (net proceeds including issuance costs – $158.8 million) of 3.556% Series N senior unsecured debentures due on February 6, 2025, with semi-annual payments due on February 6 and August 6 each year. The proceeds were used to redeem the outstanding principal on the 5.37% Series B senior unsecured debentures totalling $150.0 million.

Redemptions
On March 9, 2015, the Trust redeemed $150.0 million aggregate principal amount of 5.37% Series B senior unsecured debentures. In addition to paying accrued interest of $3.3 million, the Trust paid a yield maintenance fee of $10.8 million in connection with the redemption of the 5.37% Series B senior unsecured debentures and wrote off unamortized financing costs of $0.2 million.

Maturities
On October 16, 2015, $100.0 million aggregate principal amount of variable rate Series K senior unsecured debentures matured, which was settled by the Trust by existing cash and credit facilities.

Dominion Bond Rating Services provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. An investment grade rating must exceed "BB," with the highest rating being "AAA". The Trust's debentures are rated "BBB" with a stable trend as at December 31, 2015.

Operating Facility
As at December 31, 2015, the Trust had $10.0 million (December 31, 2014 – $17.0 million) outstanding on its operating facility of $350.0 million (December 31, 2014 – $350.0 million). The operating facility bears interest at a variable interest rate based on bank prime rate plus 0.45% or banker's acceptance rates plus 1.45%, and expires on September 30, 2017. The operating facility includes an accordion feature of $150.0 million whereby the Trust can increase its facility amount with the lender to sustain future operations as required.

(in thousands of dollars)	**2015**	2014
Revolving operating facility	**350,000**	350,000
Lines of credit – outstanding	**(10,000)**	(17,000)
Letters of credit – outstanding	**(16,222)**	(29,749)
Remaining unused operating facility	**323,778**	303,251

Convertible Debentures
On January 5, 2010, the Trust issued $60.0 million of 5.75% convertible unsecured subordinated debentures ("the 5.75% convertible debentures") due on June 30, 2017. The 5.75% convertible debentures were convertible at the holder's option at any time into Trust Units at $25.75 per Unit and were not redeemable by the Trust on or prior to June 30, 2013. After June 30, 2013, but prior to June 30, 2015, the 5.75% convertible debentures were redeemable by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest, provided the weighted average trading price of the Trust's Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption was given, was not less than 125% of the conversion price. On or after June 30, 2015, the 5.75% convertible debentures were redeemable by the Trust at any time. During the year ended December 31, 2015, $56.5 million of the face value of the 5.75% convertible debentures (year ended December 31, 2014 – $0.03 million) was converted into Trust Units. On May 27, 2015, the Trust issued notice of redemption of the 5.75% convertible debentures with an aggregate principal amount outstanding of $55.6 million, to be redeemed on June 30, 2015. The debenture holders had the right until June 29, 2015 to convert their debentures into Trust Units at a conversion price of $25.75 per Unit. On June 30, 2015, the Trust redeemed the balance of the 5.75% convertible debentures for $3.3 million in cash. As a result, at December 31, 2015, $nil of the face value of the 5.75% convertible debentures was outstanding (December 31, 2014 – $59.8 million).

(in thousands of dollars)	**2015**	2014
5.75% convertible debentures – face value outstanding	**–**	59,769
	–	59,769

Financial Covenants

The unsecured operating facility as well as unsecured debentures contain numerous terms and covenants that limit the discretion of management with respect to certain business matters. These covenants could in certain circumstances place restrictions on, among other things, the ability of the Trust to create liens or other encumbrances, to pay distributions on its Units or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

In addition, the operating facility and unsecured debentures contain a number of financial covenants that require the Trust to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the operating facility and unsecured debentures could result in a default, which, if not cured or waived, could result in a reduction or termination of distributions by the Trust and permit acceleration of the relevant indebtedness.

As stipulated by the declaration of trust governing the Trust (the "Declaration of Trust"), the Trust monitors its capital structure based on the following ratios: interest coverage ratio, debt to gross book value, debt to aggregate assets, and debt to adjusted EBITDA. These ratios are used by the Trust to manage an acceptable level of leverage and are not considered measures in accordance with IFRS, nor is there an equivalent IFRS measure. Those ratios are as follows:

	December 31, 2015	December 31, 2014
Interest coverage ratio	**3.0X**	2.7X
Debt to aggregate assets	**44.7%**	42.8%
Debt to gross book value (excluding convertible debentures)	**52.2%**	50.5%
Debt to gross book value (including convertible debentures)	**52.2%**	51.4%
Debt to adjusted EBITDA	**8.4X**	7.4X

The following are the significant financial covenants that the Trust is required by its operating line lenders to maintain: debt to aggregate assets of not more than 65%; secured debt to aggregate assets of not more than 40%; adjusted EBITDA to debt service (fixed charge coverage ratio) of not less than 1.5; unencumbered investment properties value to consolidated unsecured debt of not less than 1.4; and Unitholders' equity of not less than $2.0 billion.

Those ratios are as follows:

	Threshold	**December 31, 2015**	December 31, 2014
Debt to aggregate assets	65%	**44.7%**	42.8%
Secured debt to aggregate assets	40%	**31.2%**	24.7%
Fixed charge coverage ratio	1.5X	**2.0X**	1.9X
Unencumbered assets to unsecured debt	1.4X	**2.1X**	1.9X
Unitholders' equity (in thousands)	$2,000,000	**$4,482,571**	$3,906,424

The Trust's indentures require its unsecured debentures to maintain debt to gross book value excluding and including convertible debentures not more than 60% and 65% respectively, interest coverage ratio not less than 1.65 and Unitholders' equity not less than $500.0 million.

Those ratios are as follows:

	Threshold	**December 31, 2015**	December 31, 2014
Debt to gross book value (excluding convertible debentures)	60%	**52.2%**	50.5%
Debt to gross book value (including convertible debentures)	65%	**52.2%**	51.4%
Interest coverage ratio	1.65X	**3.0X**	2.7X
Unitholders' equity (in thousands)	$500,000	**$4,482,571**	$3,906,424

For the year ended December 31, 2015, the Trust was in compliance with all externally imposed financial covenants.

Unitholders' Equity

The Unitholders' Equity of the Trust is calculated based on the equity attributable to the holders of Units and LP Units that are exchangeable into Units on a one-for-one basis. Certain of the Trust's subsidiary limited partnerships also have Class D Units that are exchangeable on a one-for-one basis for Units, but such Class D Units are accounted for as a liability.

The following is a summary of the number of Units outstanding for the years ended December 31, 2015 and December 31, 2014:

(number of Units)	**2015**	2014
Trust Units	**128,673,857**	117,044,978
Class B Series 1 LP Units	**14,719,803**	14,653,414
Class B Series 2 LP Units	**873,741**	873,741
Class B Series 3 LP Units	**720,432**	720,432
Class B LP II Units	**756,525**	756,525
Class B Series 4 LP III Units	**644,755**	611,467
Class B Series 5 LP III Units	**559,396**	555,344
Class B Series 6 LP III Units	**421,795**	421,795
Class B Series 7 LP III Units	**427,357**	366,476
Class B Series 8 LP III Units	**1,698,018**	–
Class B Series 1 LP IV Units	**3,035,756**	–
Class B Series 1 Oshawa South LP Units	**688,336**	–
Class B Series 1 Oshawa Taunton LP Units	**305,765**	–
Total Units classified as equity	**153,525,536**	136,004,172
Class D Series 1 LP Units	**311,022**	311,022
Class D Series 1 Oshawa South LP Units	**251,649**	–
Total Units classified as liabilities	**562,671**	311,022
Total Units	**154,088,207**	136,315,194

The following is a summary of the activities impacting Unitholders' equity for the years ended December 31, 2015 and December 31, 2014:

(in thousands of dollars)	**2015**	2014
Unitholders' equity – beginning of the year	**3,906,424**	3,804,491
Issuance of Trust Units, net of issuance cost	**268,062**	34,456
Issuance of LP Units classified as equity	**169,092**	15,995
Conversion of 5.75% convertible debentures	**57,827**	25
Net income for the year	**319,489**	263,708
Contributions by other non-controlling interest	**–**	10
Distributions to other non-controlling interest	**(281)**	(408)
Distributions for the year	**(238,042)**	(211,853)
Unitholders' equity – end of the year	**4,482,571**	3,906,424

In the consolidated financial statements, LP Units classified as equity are presented separately from Trust Units as non-controlling interests. However, as management views the LP Units (including those classified as a liability) as economically equivalent to the Trust Units, they have been combined for the purpose of this MD&A.

As at December 31, 2015, equity totalled $4,482.6 million (December 31, 2014 – $3,906.4 million). Trust and LP Unit equity totalled $3,223.6 million and Trust Units and LP Units outstanding (see table above) totalled 153,525,536 Units, which does not include 562,671 of Class D Series 1 LP Units and Class D Series 1 Oshawa South LP Units totalling $17.0 million classified as a liability in the consolidated financial statements.

During the year ended December 31, 2015, the Trust issued $495.0 million in Units as follows:

	Trust Units (#)	LP Units (#)	Total Units (#)	2015 ($ thousands)
Options exercised	–	179,766	179,766	5,137
Distribution reinvestment plan (DRIP)	1,306,354	–	1,306,354	39,137
Deferred units exchanged for Trust Units	10,000	–	10,000	296
Debentures converted	2,192,495	–	2,192,495	57,827
Units issued for cash	8,015,500	–	8,015,500	230,285
Units issued for properties acquired	–	5,712,719	5,712,719	163,955
Units exchanged[1]	104,530	–	104,530	3,115
	11,628,879	5,892,485	17,521,364	499,752
Unit issuance costs				(4,771)
Total change in Unit equity				494,981

[1] 104,530 Class D Oshawa Taunton LP Units (classified as a liability – see Note 12 to the consolidated financial statements for the year ended December 31, 2015) amounting to $3,115 were exchanged for 104,530 Trust Units.

During the year, distributions declared by the Trust totalled $239.6 million (of which $0.8 million is treated as interest expense) (December 31, 2014 – $212.3 million of which $0.5 million is treated as interest expense) or $1.6131 per Unit (December 31, 2014 – $1.561 per Unit). For the year ended December 31, 2015, the Trust paid $200.5 million in cash and the balance of $39.1 million by issuing 1,306,354 Trust Units under the distribution reinvestment plan (December 31, 2014 – $183.5 million and the balance of $28.8 million represented by 1,097,727 Trust Units, respectively).

Distributions to Unitholders for the year ended December 31, 2015 compared to December 31, 2014 were as follows:

(in thousands of dollars)	**2015**	2014
Distributions to Unitholders[1]	**239,647**	212,339
Distributions reinvested through DRIP	**(39,137)**	(28,814)
Net cash outflow from distributions to Unitholders	**200,510**	183,525
DRIP as a percentage of distributions to Unitholders	**16.3%**	13.6%

1 Includes distributions on Units classified as liabilities where distributions are treated as interest expense.

Capital Resources and Liquidity

As at December 31, 2015 and December 31, 2014, the Trust had the following capital resources available:

(in thousands of dollars)	**December 31, 2015**	December 31, 2014
Cash and cash equivalents	**21,336**	20,252
Unused operating facilities	**323,778**	303,251
	345,114	323,503

On the assumption that occupancy levels remain strong and that the Trust will be able to obtain financing on reasonable terms, the Trust anticipates meeting all current and future obligations. Management expects to finance future acquisitions, including committed Earnouts, Developments, Mezzanine Financing commitments and maturing debt from: (i) existing cash balances; (ii) a mix of mortgage debt secured by investment properties, operating facilities, issuance of equity, and convertible and unsecured debentures; (iii) repayments of mortgages receivable; and (iv) the sale of non-core assets. Cash flow generated from operating activities is the source of liquidity to pay Unit distributions, sustaining capital expenditures and leasing costs.

As at December 31, 2015, the Trust increased its capital resources by $21.6 million, compared to December 31, 2014. The net increase is mainly the result of the proceeds from issuance of secured debt of $596.3 million, the proceeds from the issuance of Trust Units net of issuance costs of $225.3 million and the proceeds from repayments of mortgages and loans receivable of $17.9 million, partially offset by acquisitions and Earnouts of investment properties of $394.3 million, repayments of secured debt and other debt of $294.9 million, additions to investment properties of $60.7 million and the acquisition of the Penguin Platform of $55.7 million.

The Trust manages its cash flow from operating activities by maintaining a target debt level. The debt to gross book value, as defined in the Declaration of Trust, as at December 31, 2015, is 52.2%, excluding convertible debentures. Including the Trust's capital resources as at December 31, 2015, the Trust could invest an additional $910.5 million in new investments and remain at the midpoint of the Trust's target debt to gross book value range of 55% to 60% (excluding convertible debentures).

Future obligations, excluding the development pipeline, total $3,955.0 million, as identified in the following table. Other than contractual maturity dates, the timing of payment of these obligations is management's best estimate based on assumptions with respect to the timing of leasing, construction completion, occupancy and Earnout dates at December 31, 2015.

As at December 31, 2015, the timing of the Trust's future obligations is as follows:

(in thousands of dollars)	Total	2016	2017	2018	2019	2020	Thereafter
Secured debt	2,634,699	220,882	316,418	395,907	394,289	166,950	1,140,253
Revolving operating facility	10,000	–	10,000	–	–	–	–
Unsecured debentures	1,150,000	–	150,000	90,000	100,000	150,000	660,000
Mortgage receivable advances[1]	151,564	28,535	55,855	9,813	8,415	11,558	37,388
Development obligations	8,738	8,738	–	–	–	–	–
	3,955,001	258,155	532,273	495,720	502,704	328,508	1,837,641

1 Mortgages receivable of $127.3 million at December 31, 2015, and further forecasted commitments of $151.6 million, mature over a period extending to 2022 if the Trust does not exercise its option to acquire the investment properties. Refer to the "Mortgages, Loans and Notes Receivable and Interest Income" section for timing of principal repayments.

It is management's intention to either repay or refinance $146.0 million of maturing secured debt in 2016. Potential upfinancing on maturing debt using a 65% loan to value and a 6.25% capitalization rate amounts to $84.7 million in 2016 and $106.2 million in 2017. In addition, the Trust has an unencumbered asset pool, with an approximate fair value totalling $2,453.0 million (including undeveloped lands of $55.9 million), which can generate gross financing proceeds on income properties of approximately $1,558.1 million using a 65% loan to value. The secured debt, revolving operating facility, unsecured debentures, mortgage receivable advances and development obligations will be funded by additional term mortgages, net proceeds on the sale of non-core assets, existing cash or operating lines, the issuance of convertible and unsecured debentures, and equity Units, if necessary.

The Trust's potential development pipeline of $1,755.0 million consists of $240.0 million in Earnouts and $1,515.0 million in Developments. Costs totalling $571.0 million have been incurred to date with a further $1,184.0 million still to be funded. The future funding includes $227.0 million for Earnouts that will be paid once a lease has been executed and construction of the space commenced. The remaining $957.0 million of development will proceed once the Trust has an executed lease and financing in place. Management expects this pipeline to be developed over the next three to five years.

Results of Operations

The Trust's real estate portfolio has grown through acquisitions, completed developments and Earnouts during the course of the past year resulting in increases in operating results for the year ended December 31, 2015, compared to the year ended December 31, 2014.

Three Months Ended December 31, 2015

Net income for the quarter ended December 31, 2015 increased by $30.5 million from the same quarter in 2014. The increase is primarily attributed to the increase in NOI of $16.3 million or 16.6%, of which $13.4 million relates to income from properties acquired through the Transaction, with the remaining increases attributed to other acquisitions, lease-up, renewals, step-up rental revenue as well as lower recovery shortfalls.

(in thousands of dollars)	**Three Months Ended December 31, 2015**[1]	Three Months Ended December 31, 2014[1]
Net rental income		
Rentals from investment properties	**178,085**	153,440
Property operating costs	**(63,961)**	(55,610)
	114,124	97,830
Other income and expenses		
Service and other revenues	**3,797**	702
General and administrative expense	**(6,381)**	(4,571)
Other expenses	**(3,804)**	(702)
Fair value gain on revaluation of investment properties	**15,617**	3,407
Loss on sale of investment properties	**17**	(815)
Interest expense	**(33,978)**	(33,795)
Interest income	**2,848**	2,952
Fair value loss on financial instruments	**(563)**	(3,830)
Net income and comprehensive income for the quarter	**91,677**	61,178
NOI as a percentage of rentals from investment properties	**64.1%**	63.8%

1 Includes share of investments in associates.

Rentals from investment properties for the three months ended December 31, 2015 totalled $178.1 million, a $24.6 million or 16.0% increase over the three months ended December 31, 2014. Base rent increased by $16.3 million or 16.2%, primarily due to rent increases from new and renewing tenants, acquisitions (primarily the acquisition of properties in connection with the Transaction), Earnouts and completed developments that occurred during 2014 and 2015. Property operating costs recovered increased by $7.5 million or 14.7% due to the related increases in recoverable costs with the growth in the portfolio.

The Trust recovered 96.9% of total recoverable expenses during the three months ended December 31, 2015, compared to 95.0% in the same period last year. Non-recovery of most of the remaining costs results from fixed recovery rates for some tenants and restrictions contained in certain anchor tenant leases. In comparison to the same period of 2014, NOI increased by $16.3 million or 16.7% in 2015, primarily as a result of the growth of the portfolio due to acquisitions, Earnouts and completed developments.

(in thousands of dollars)	**Three Months Ended December 31, 2015**	Three Months Ended December 31, 2014
Base rent	**117,130**	100,785
Property operating cost recoveries	**58,636**	51,116
Miscellaneous revenue	**2,319**	1,539
Rentals from investment properties[1]	**178,085**	153,440
Service and other revenues	**3,797**	702
Recoverable costs	**(60,541)**	(53,820)
Other expenses	**(3,804)**	(702)
Property management fees and costs	**(2,152)**	(809)
Non-recoverable costs	**(1,268)**	(981)
Total property specific costs[1]	**(63,968)**	(55,610)
NOI	**114,117**	97,830
NOI as a percentage of base rent	**97.4%**	97.1%
NOI as a percentage of rentals from investment properties	**64.1%**	63.8%
Recovery ratio	**96.9%**	95.0%

1 Includes the Trust's share of rentals from investment in associates of $0.4 million (three months ended December 31, 2014 – $0.5 million) and property specific costs from investment in associates of $0.2 million (three months ended December 31, 2014 – $0.2 million).

Year Ended December 31, 2015

Rentals from investment properties for the year ended December 31, 2015 totalled $670.3 million, a $62.8 million or 10.3% increase over the year ended December 31, 2014. Base rent increased by $39.8 million or 9.9%, primarily due to rent increases from new and renewing tenants, acquisitions, Earnouts and completed developments that occurred during 2014 and 2015. Property operating costs recovered increased by $20.4 million or 10.3% due to the related increases in recoverable costs with the growth in the portfolio.

The Trust recovered 98.3% of total recoverable expenses during the year ended December 31, 2015, compared to 98.0% in the same period last year. Non-recovery of most of the remaining costs results from fixed recovery rates for some tenants and restrictions contained in certain anchor tenant leases. In comparison to the same period of 2014, NOI increased by $42.1 million or 10.6% in 2015, primarily as a result of the growth of the portfolio due to acquisitions, Earnouts and completed developments.

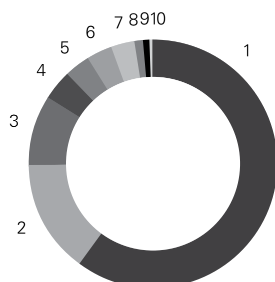
(in thousands of dollars)	**Year Ended December 31, 2015**	Year Ended December 31, 2014
Base rent	**440,275**	400,497
Property operating cost recoveries	**218,525**	198,174
Miscellaneous revenue	**11,523**	8,882
Rentals from investment properties[1]	**670,323**	607,553
Service and other revenues	**9,006**	2,025
Recoverable costs	**(222,404)**	(202,254)
Other expenses	**(8,974)**	(2,025)
Property management fees and costs	**(6,270)**	(5,926)
Non-recoverable costs	**(3,697)**	(3,441)
Total property specific costs[1]	**(232,339)**	(211,621)
NOI	**437,984**	395,932
NOI as a percentage of base rent	**99.5%**	98.9%
NOI as a percentage of rentals from investment properties	**65.3%**	65.2%
Recovery ratio	**98.3%**	98.0%

1 Includes the Trust's share of rentals from investment in associates of $1.7 million (year ended December 31, 2014 – $1.8 million) and property specific costs from investment in associates of $0.6 million (year ended December 31, 2014 – $0.6 million).

The Trust's portfolio is located across Canada with properties in each of the provinces, with 74.8% of the gross revenue of the portfolio in Ontario and Quebec, primarily in the Greater Toronto and Montreal areas.

GROSS REVENUE BY PROVINCE

(per cent)



1. Ontario – 60.1%
2. Quebec – 14.7%
3. British Columbia – 9.2%
4. Manitoba – 3.8%
5. Saskatchewan – 3.5%
6. Alberta – 3.4%
7. Newfoundland and Labrador – 3.0%
8. Nova Scotia – 1.0%
9. New Brunswick – 0.8%
10. Prince Edward Island – 0.5%

The 10 largest tenants (by gross rental revenue) account for 49.5% of portfolio revenue as follows:

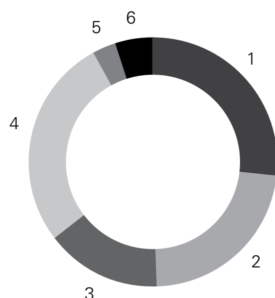
	Tenant	Number of Stores	Rental Revenue[1] ($ millions)	Percentage of Total Rental Revenue	Area (sq. ft.)	Percentage of Total Gross Leasable Area
1	Walmart[2]	94	185.7	26.9%	13,345,291	43.0%
2	Canadian Tire, Mark's and FGL Sports	69	32.5	4.7%	1,262,670	4.1%
3	Winners, HomeSense and Marshalls	43	25.1	3.6%	1,141,932	3.7%
4	Reitmans	109	17.2	2.5%	580,664	1.9%
5	Best Buy	27	16.1	2.3%	616,665	2.0%
6	Loblaws and Shoppers Drug Mart	19	15.7	2.3%	710,484	2.3%
7	Sobeys	15	15.4	2.2%	660,509	2.1%
8	RONA	7	13.9	2.0%	734,668	2.4%
9	Michaels	24	11.1	1.6%	459,589	1.5%
10	Staples	23	9.7	1.4%	508,425	1.6%
		430	342.4	49.5%	20,020,897	64.6%

[1] Annualized as at December 31, 2015.

[2] The Trust has a total of 94 Walmarts under lease, of which 88 are Supercentres. The Trust has 14 centres with Walmart as shadow anchors, of which 11 are Supercentres.

GROSS RENTAL REVENUE BY TENANT

(per cent)



1. Walmart – 26.9%
2. Top 2–10 Retailers – 22.7%
3. Top 11–25 Retailers – 14.9%
4. Other National Retailers – 27.6%
5. Regional Retailers – 2.9%
6. Local Tenants – 5.0%

Net Operating Income (NOI)

NOI from continuing operations is defined as rentals from investment properties less property operating costs net of service and other revenues. Disclosing NOI contribution from each of same properties, acquisitions, dispositions, Earnouts and Development activities highlights the impact each component has on aggregate NOI. Straight-lining of rent and other adjustments have been excluded from NOI attributed to same properties, acquisitions, dispositions, Earnouts and Development activities in the table below to highlight the impact of growth in occupancy, rent, uplift and productivity.

Three Months Ended December 31, 2015

The same properties' NOI for the three months ended December 31, 2015 increased by 1.3% or $1.3 million over the same period last year primarily due to net lease-up of vacant space, rent increases in renewing tenants, step-ups in existing leases and lower recovery shortfalls, partially offset by higher bad debt expense. In addition, NOI before adjustments increased by 16.5% or $16.2 million during the three months ended December 31, 2015 from $98.2 million during the three months ended December 31, 2014. The increase was primarily due to same properties' NOI growth of $1.3 million, acquisitions net of dispositions of $15.5 million (of which $13.4 million relates to income from properties acquired through the Transaction), and Earnouts and Developments completed during the year of $0.4 million.

(in thousands of dollars)	**Three Months Ended December 31, 2015**	Three Months Ended December 31, 2014
Same properties	**96,160**	94,910
Acquisitions	**15,078**	47
Dispositions	**–**	525
Earnouts and Developments	**3,110**	2,691
NOI before adjustments	**114,348**	98,173
Amortization of tenant incentives	**(1,226)**	(1,203)
Lease termination and other adjustments	**603**	20
Straight-lining of rents	**554**	931
Royalties	**(162)**	(91)
NOI	**114,117**	97,830

Year Ended December 31, 2015

The same properties' NOI for the year ended December 31, 2015 increased by 1.1% or $4.0 million compared to 2014 primarily due to net lease-up of vacant space, rent increases in renewing tenants, lower recovery shortfalls and step-ups in existing leases offset by higher bad debt expense. In addition, NOI before adjustments increased by 10.4% or $40.9 million to $435.9 million during the year ended December 31, 2015 from $395.0 million during the year ended December 31, 2014. The increase was primarily due to same properties NOI growth of $4.0 million, acquisitions net of dispositions of $43.2 million (of which $32.1 million relates to income from properties acquired through the Transaction), and Earnouts and Developments completed during the year of $4.6 million. Management's estimate of the annual property run-rate NOI (excluding the impact of straight-line rent and other adjustments) at December 31, 2015 is $463.6 million. Assuming a 1.2% same property NOI growth over 2016 and 2017, FFO is forecasted to increase by $0.036 and $0.037 per Unit, respectively. "Same properties" in the table below refer to those income properties that were owned by the Trust on January 1, 2014, and throughout 2014 to December 31, 2015.

(in thousands of dollars)	**Year Ended December 31, 2015**	Year Ended December 31, 2014
Same properties	**380,295**	376,302
Acquisitions	**39,812**	1,146
Dispositions	**–**	6,352
Earnouts and Developments	**15,796**	11,213
NOI before adjustments	**435,903**	395,013
Amortization of tenant incentives	**(5,291)**	(4,596)
Lease termination and other adjustments	**5,776**	3,038
Straight-lining of rents	**2,150**	2,810
Royalties	**(554)**	(333)
NOI	**437,984**	395,932

Leasing Activities and Lease Expiries

Leasing Activities

The Trust finished the year ended December 31, 2015 with an occupancy rate of 98.7%, maintaining the same level as at September 30, 2015, which is 0.1% higher than the result from the first two quarters of the year. At December 31, 2015, the Trust completed leasing transactions for approximately 34,000 square feet for occupancy of vacancies in 2016. The Trust continues to have strong interest from national tenants for vacant space primarily due to the tremendous customer traffic resulting from a portfolio of over 100 Walmart-anchored, or shadow-anchored locations. The Trust's historical occupancy is shown as follows:

Q4 2015	**Q3 2015**	**Q2 2015**	**Q1 2015**	Q4 2014	Q3 2014	Q2 2014	Q1 2014
98.7%	**98.7%**	**98.6%**	**98.6%**	99.0%	99.0%	99.0%	99.0%

Leasing work has begun on a potential expansion of the Toronto Premium Outlets due to the growing success of that asset and increased demand for tenant space. Also, efforts to repurpose the two Target locations within the Trust's portfolio are progressing.

2015 Lease Expiries

At December 31, 2015, the Trust completed or was near completion on lease renewals totalling 1,066,000 square feet of space representing a retention rate of approximately 75.0% of 2015 lease expiries. The average rental rate for completed transactions was $20.53 per square foot which represents an increase over previous in-place rents of 6.6%.

	2015	2014
Square feet renewed	**1,066,424**	1,283,194
Average net rent per square foot	**$20.53**	$18.82
Increase in average net rent per square foot	**$1.27**	$1.12
Percentage increase in average net rent per square foot	**6.6%**	6.3%

Lease expiries for the total portfolio are as follows:

Year of Expiry	Area (sq. ft.)	Area (%)	Annualized Base Rent ($ thousands)	Average Base Rent per sq. ft.[1] ($)
Month-to-month and holdovers	260,473	0.8%	5,189	19.92
2016	1,198,269	3.9%	21,669	18.08
2017	1,862,579	6.0%	36,408	19.55
2018	2,323,412	7.5%	49,339	21.24
2019	3,097,427	10.0%	47,863	15.45
2020	3,117,811	10.0%	46,655	14.96
2021	2,812,870	9.1%	36,737	13.06
Beyond	15,973,156	51.4%	220,803	13.82
Vacant	408,848	1.3%	–	–
Total	31,054,845	100.0%	464,663	15.16

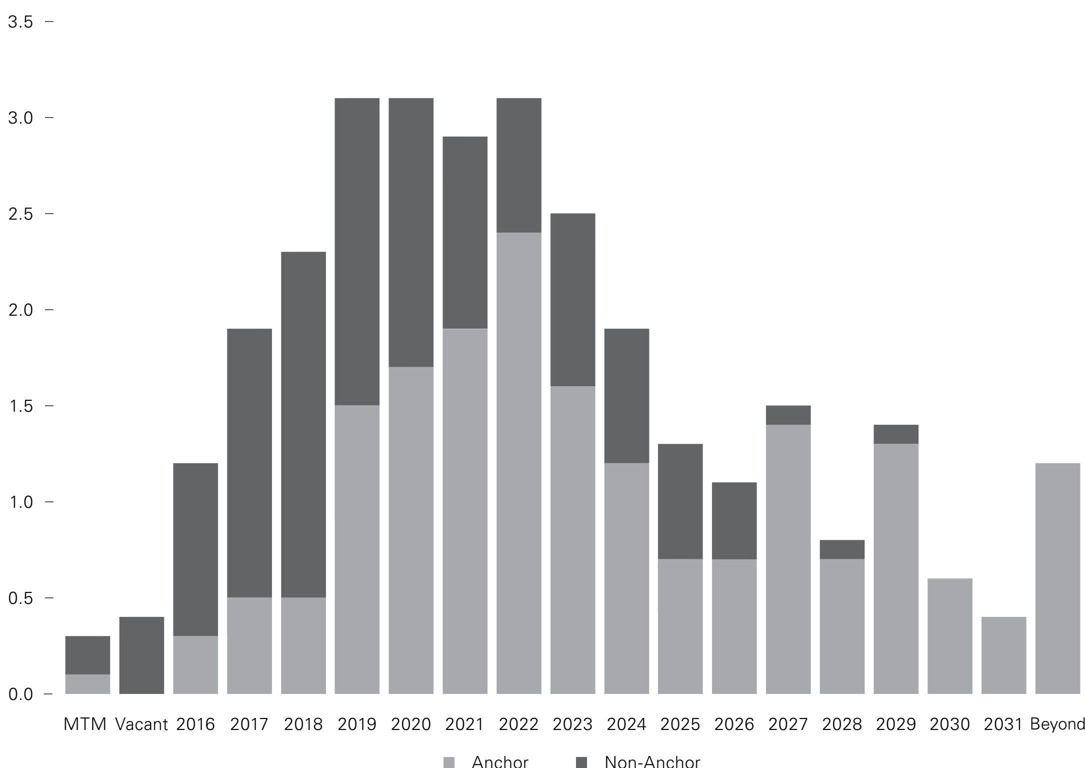
1 The total average base rent per square foot excludes vacant space of 408,848 square feet.

Lease expiries for the portfolio, excluding anchor tenants[1], are as follows:

Year of Expiry	Area (sq. ft.)	Area (%)	Annualized Base Rent ($ thousands)	Average Base Rent per sq. ft.[2] ($)
Month-to-month and holdovers	195,276	0.6%	4,015	20.56
2016	887,086	2.9%	17,732	19.99
2017	1,377,156	4.4%	29,946	21.74
2018	1,822,352	5.9%	41,739	22.90
2019	1,614,187	5.2%	35,619	22.07
2020	1,418,282	4.6%	30,571	21.55
2021	961,699	3.1%	19,481	20.26
Beyond	3,739,955	12.0%	83,645	22.37
Vacant	408,848	1.3%	–	–
Total	12,424,841	40.0%	262,748	21.87

1 An anchor tenant is defined as any tenant with leasable area greater than 30,000 square feet.

2 The total average base rent per square foot excludes vacant space of 408,848 square feet.



General and Administrative

For the year ended December 31, 2015, general and administrative costs totalled $19.4 million, which represents a $7.0 million increase from the previous year. The increase of $7.0 million is primarily due to an increase in salaries and benefits of $17.6 million, $1.8 million of which relates to an increase in Long Term Incentive Plan ("LTIP") expense in part reflecting the performance of the Trust's Unit price relative to the S&P/TSX Capped REIT index as part of the Trust's "pay for performance" initiative, partially offset by a $2.5 million increase in expenses allocated to property operating costs, a $4.0 million increase in expenses capitalized to properties under development, and a $6.9 million increase in expenses charged back to Penguin and third parties. General and administrative costs as a percentage of rental revenue for the year ended December 31, 2015 totalled 2.9% (December 31, 2014 – 2.0%).

(in thousands of dollars)	**2015**	2014
Salaries and benefits	**32,625**	15,030
Professional fees	**3,073**	2,847
Public company costs	**1,145**	1,223
Rent and occupancy	**1,738**	1,197
Amortization of intangible assets	**792**	–
Other costs including IT, marketing, communications and other employee expenses	**4,239**	2,850
	43,612	23,147
Allocated to property operating costs	**(11,065)**	(8,592)
Capitalized to properties under development	**(4,139)**	(98)
Charged back to Penguin and third parties	**(8,974)**	(2,025)
General and administrative costs	**19,434**	12,432
As a percentage of rental revenue	**2.9%**	2.0%

Interest Expense

Interest expense incurred during the year ended December 31, 2015 totalled $144.0 million. Excluding distributions classified as liabilities, interest expense decreased by $3.4 million for the year ended December 31, 2015 compared to 2014. The decrease is primarily due to both the refinancing of term mortgages and the replacement of existing unsecured debentures at lower interest rates.

(in thousands of dollars)	**2015**	2014
Interest at stated rate	**146,916**	146,120
Yield maintenance on redemption of unsecured debentures	**10,810**	13,367
Amortization of acquisition date fair value adjustments	**(2,828)**	(1,530)
Accretion of convertible debentures	**354**	721
Amortization of deferred financing costs	**4,339**	4,332
	159,591	163,010
Less: Interest capitalized to properties under development	**(17,444)**	(12,024)
Interest expense excluding distributions classified as liabilities	**142,147**	150,986
Distributions on vested deferred units classified as liabilities	**1,016**	1,024
Distributions relating to LP Units classified as liabilities	**796**	486
Total interest expense	**143,959**	152,496
Weighted average interest rate (inclusive of acquisition date fair value adjustment)	**4.16%**	4.77%

Other Measures of Performance

The following are measures sometimes used by Canadian real estate income trusts ("REITs") as indicators of financial performance. Management uses these measures to analyze operating performance. Because one of the factors that may be considered relevant by prospective investors is the cash distributed by the Trust relative to the price of the Units, management believes these measures are a useful supplemental measure that may assist prospective investors in assessing an investment in Units. The Trust analyzes its cash distributions against these measures to assess the stability of the monthly cash distributions to Unitholders. Because these measures are not standardized as prescribed by IFRS, they may not be comparable to similar measures presented by other trusts. These measures are not intended to represent operating profits for the period nor should they be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. The calculations are derived from the consolidated financial statements for the year ended December 31, 2015, unless otherwise stated, do not include any assumptions, do not include any forward-looking information and are consistent with prior reporting periods.

Funds From Operations ("FFO")

While FFO does not have a standardized meaning prescribed by IFRS, it is a non-IFRS financial measure of operating performance widely used by the real estate industry. The Real Property Association of Canada ("REALpac") recommends that FFO be determined by reconciling from net income.

Three Months Ended December 31, 2015

For the three months ended December 31, 2015, FFO excluding adjustments increased by $14.6 million or 22.2% to $80.4 million and by 8.3% to $0.52 on a per Unit basis compared to the same quarter of 2014 (three months ended December 31, 2014 – $65.8 million). The increase in FFO excluding adjustments of $14.6 million was primarily due to an increase in NOI net of tenant incentive amortization of $16.3 million, an increase in indirect interest with respect to the development portion of investment in associates of $0.1 million and an increase in salaries and related costs attributed to leasing activities of $0.8 million, partially offset by an increase in interest expense net of yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs of $0.2 million, an increase in general and administrative expenses of $1.8 million, a decrease in interest income of $0.1 million and a decrease in acquisition and transition costs of $1.3 million.

Year Ended December 31, 2015

For the year ended December 31, 2015, FFO excluding adjustments increased by $44.7 million or 16.9% to $309.6 million and by 7.7% to $2.10 on a per Unit basis compared to the prior year (December 31, 2014 – $264.9 million). The increase in FFO excluding adjustments of $44.7 million was primarily due to an increase in NOI net of tenant incentive amortization of $42.7 million, a decrease in interest expense net of yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs of $6.3 million, an increase in interest income of $0.7 million, an increase in indirect interest with respect to the development portion of investment in associates of $0.8 million, an increase in salaries and related costs attributed to leasing activities of $1.3 million and an increase in acquisition and transition costs of $0.3 million, partially offset by an increase in general and administrative expenses of $7.0 million.

Adjusted Funds From Operations ("AFFO")

Since FFO does not consider capital transactions, AFFO is presented herein as an alternative measure of determining available cash flow. AFFO is not defined by IFRS.

Three Months Ended December 31, 2015

For the three months ended December 31, 2015, AFFO increased by $13.3 million or 21.1% to $76.8 million and by 8.7% to $0.50 on a per Unit basis compared to the same quarter of 2014 (three months ended December 31, 2014 – $63.5 million). The increase in AFFO of $13.3 million was primarily due to an increase in NOI net of tenant incentive amortization and straight-lining of rents of $16.7 million, an increase in indirect interest with respect to the development portion of investment in associates of $0.1 million and an increase in salaries and related costs attributed to leasing activities of $0.8 million, partially offset by an increase in interest expense net of yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs of $0.2 million, an increase in sustaining capital expenditures and leasing costs of $1.5 million, an increase in general and administrative expenses of $1.8 million, a decrease in interest income of $0.1 million and a decrease in acquisition and transition costs of $1.3 million.

Year Ended December 31, 2015

For the year ended December 31, 2015, AFFO increased by $41.4 million or 16.5% to $292.9 million and by 8.2% to $1.99 on a per Unit basis compared to the prior year (December 31, 2014 – $251.5 million). The increase in AFFO of $41.4 million was primarily due to an increase in NOI net of tenant incentive amortization and straight-lining of rents of $43.4 million, a decrease in interest expense net of yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs of $6.3 million, an increase in interest income of $0.7 million, an increase in indirect interest with respect to the development portion of investment in associates of $0.8 million, an increase in salaries and related costs attributed to leasing activities of $1.3 million and an increase in acquisition and transition costs of $0.3 million, partially offset by an increase in sustaining capital expenditures and leasing costs of $3.6 million and an increase in general and administrative expenses of $7.0 million.

Reconciliations of FFO and AFFO

The analysis below shows a reconciliation of the Trust's net income to FFO and AFFO for the three months ended December 31, 2015 and December 31, 2014:

(in thousands of dollars, except per Unit amounts)	**Three Months Ended December 31, 2015**	Three Months Ended December 31, 2014	Increase/ (Decrease)
Net income and comprehensive income	**91,677**	61,178	30,499
Add (deduct):			
Change in fair value of investment properties	**(16,071)**	(1,360)	(14,711)
Change in fair value of financial instruments	**(374)**	3,829	(4,203)
(Gain) loss on sale of investment properties	**(17)**	814	(831)
Amortization of intangible assets	**792**	–	792
Tenant incentive amortization	**1,226**	1,204	22
Distributions on LP Units and vested deferred units recorded as interest expense	**493**	395	98
Salaries and related costs attributed to leasing activities[1]	**754**	–	754
Adjustments relating to investment in associates:			
Indirect interest with respect to development portion[2]	**553**	429	124
Change in fair value of investment properties	**454**	(2,047)	2,501
Change in fair value on interest rate swap agreements	**936**	–	936
FFO	**80,423**	64,442	15,981
Transition costs	**–**	1,347	(1,347)
FFO excluding adjustments	**80,423**	65,789	14,634
Add (deduct):			
Accretion on convertible debentures	**–**	185	(185)
Straight-lining of rents	**(554)**	(930)	376
Sustaining capital expenditures	**893**	(2,470)	3,363
Leasing costs	**(4,012)**	900	(4,912)
AFFO	**76,750**	63,474	13,276
Per Unit – basic/diluted[3]:			
FFO	**$0.52/$0.52**	$0.47/$0.47	$0.05/$0.05
FFO excluding adjustments	**$0.52/$0.52**	$0.48/$0.48	$0.04/$0.04
AFFO	**$0.50/$0.50**	$0.47/$0.46	$0.03/$0.04
Payout Ratio:			
FFO	**79.4%**	85.0%	–5.6%
FFO excluding adjustments	**79.4%**	83.3%	–3.9%
AFFO	**82.6%**	86.6%	–4.0%

1 Internal expenses for leasing, primarily salaries, of $0.8 million were incurred in the three months ended December 31, 2015 and were eligible to be added back to FFO based on the revision to the definition of FFO, in the REALpac white paper published in April 2014 that provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO made results more comparable between real estate entities that expensed their internal leasing departments and those that capitalized external leasing expenses.

2 Indirect interest is not capitalized to properties under development of investment in associates under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to development portion of investment in associates multiplied by the Trust's weighted average cost of capital.

3 Diluted FFO and AFFO are adjusted for the dilutive effect of vested deferred units and convertible debentures, which are not dilutive for net income purposes. To calculate diluted FFO and FFO excluding adjustments for the three months ended December 31, 2015, convertible debenture interest of $0.0 million and accretion expense of $0.0 million are added back to net income and 626,401 Units are added back to the weighted average Units outstanding (three months ended December 31, 2014 – convertible debenture interest of $0.9 million and accretion expense of $0.2 million, and 2,983,750 Units, respectively). To calculate diluted AFFO for the three months ended December 31, 2015, convertible debenture interest of $0.0 million is added back to net income and 626,401 Units are added back to the weighted average Units outstanding (three months ended December 31, 2014 – $0.9 million and 2,983,750 Units, respectively).

The analysis below shows a reconciliation from cash provided by operating facilities to FFO (excluding adjustments) and AFFO for the three months ended December 31, 2015 and December 31, 2014:

	Three Months Ended December 31, 2015		Three Months Ended December 31, 2014	
(in thousands of dollars except, per Unit amounts)	**FFO**	**AFFO**	FFO	AFFO
Cash provided by operating activities	**111,197**	**111,197**	88,764	88,764
Earnings from associates, net of distributions	**(1,406)**	**(1,406)**	2,012	2,012
Amortization of equipment	**(162)**	**(162)**	(109)	(109)
Amortization of acquisition date fair value adjustments on assumed debt	**948**	**948**	364	364
Amortization of deferred financing costs	**(795)**	**(795)**	(943)	(943)
Capital lease obligation interest	**(124)**	**(124)**	(26)	(26)
Deferred unit compensation expense	**(129)**	**(129)**	(382)	(382)
Long Term Incentive Plan expense	**(305)**	**(305)**	(259)	(259)
Redemption of deferred units	**786**	**786**	–	–
Expenditures on direct leasing costs	**2,121**	**2,121**	892	892
Expenditures on tenant incentives of properties under development	**1,586**	**1,586**	5,027	5,027
Changes in other non-cash operating items	**(36,545)**	**(36,545)**	(29,280)	(29,280)
Adjustments relating to investment in associates:				
Indirect interest with respect to development portion	**553**	**553**	429	429
Change in fair value of investment properties	**454**	**454**	(2,047)	(2,047)
Change in fair value on interest rate swap agreements	**936**	**936**	–	–
Salaries and related costs attributed to leasing activities	**754**	**754**	–	–
Transition costs	**–**	**–**	1,347	1,347
Accretion on convertible debentures	**–**	**–**	–	185
Straight-lining of rents	**554**	**–**	–	(930)
Sustaining capital expenditures	**–**	**893**	–	(2,470)
Leasing costs adjustment[1]	**–**	**(4,012)**	–	900
	80,423	**76,750**	65,789	63,474
Per Unit – basic/diluted excluding adjustments	**$0.52/$0.52**	**$0.50/$0.50**	$0.48/$0.48	$0.47/$0.46
Payout ratio	**79.4%**	**82.6%**	83.3%	86.6%

[1] This adjustment to leasing costs was made to account for changes between normalized and actual expenditures for the period ended.

The analysis below shows a reconciliation of the Trust's net income to FFO and AFFO for the years ended December 31, 2015 and December 31, 2014:

(in thousands of dollars, except per Unit amounts)	**Year Ended December 31, 2015**	Year Ended December 31, 2014	Increase/ (Decrease)
Net income and comprehensive income	**319,489**	263,708	55,781
Add (deduct):			
Change in fair value of investment properties	**(32,835)**	(25,458)	(7,377)
Change in fair value of financial instruments	**(531)**	7,234	(7,765)
Loss on sale of investment properties	**17**	853	(836)
Amortization on intangible assets	**792**	–	792
Tenant incentive amortization	**5,291**	4,596	695
Distributions on LP Units and vested deferred units recorded as interest expense	**1,812**	1,510	302
Salaries and related costs attributed to leasing activities[1]	**1,337**	–	1,337
Adjustments relating to investment in associates:			
Indirect interest with respect to development portion[2]	**2,198**	1,395	803
Change in fair value of investment properties	**(1,551)**	(4,126)	2,575
Change in fair value on interest rate swap agreements	**936**	–	936
Acquisition costs[3]	**1,018**	–	1,018
FFO before adjustments	**297,973**	249,712	48,261
Yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs[4]	**11,023**	13,824	(2,801)
Transition costs	**–**	1,347	(1,347)
Write-off of unamortized financing costs on redemption of convertible debentures	**588**	–	588
FFO excluding adjustments	**309,584**	264,883	44,701
Add (deduct):			
Accretion on convertible debentures	**354**	721	(367)
Straight-lining of rents	**(2,150)**	(2,810)	660
Sustaining capital expenditures	**(7,720)**	(7,747)	27
Leasing costs	**(7,162)**	(3,573)	(3,589)
AFFO	**292,906**	251,474	41,432
Per Unit – basic/diluted[5]:			
FFO	**$2.03/$2.02**	$1.85/$1.84	$0.19/$0.18
FFO excluding adjustments	**$2.11/$2.10**	$1.96/$1.95	$0.15/$0.15
AFFO	**$2.00/$1.99**	$1.86/$1.84	$0.14/$0.15
Payout Ratio:			
FFO	**79.9%**	85.1%	–5.2%
FFO excluding adjustments	**76.8%**	80.3%	–3.5%
AFFO	**81.1%**	84.7%	–3.6%

1 Internal expenses for leasing, primarily salaries, of $1.3 million were incurred in the year ended December 31, 2015 and were eligible to be added back to FFO based on the revision to the definition of FFO, in the REALpac white paper published in April 2014 that provided for an adjustment to incremental leasing expenses for the cost of salaried staff. This adjustment to FFO made results more comparable between real estate entities that expensed their internal leasing departments and those that capitalized the expenses.

2 Indirect interest is not capitalized to properties under development of investment in associates under IFRS but is a permitted adjustment under REALpac's definition of FFO. The amount is based on the total cost incurred with respect to development portion of investment in associates multiplied by the Trust's weighted average cost of capital.

3 Acquisition costs relate to the costs associated with the acquisition of the Penguin platform and brand acquisition (see "The Transaction" section).

4 December 31, 2015 includes $10.8 million of yield maintenance costs and $0.2 million of accelerated amortization of deferred financing costs (year ended December 31, 2014 includes $13.3 million of yield maintenance costs and $0.5 million of accelerated amortization of deferred financing costs).

5 Diluted FFO and AFFO are adjusted for the dilutive effect of vested deferred units and convertible debentures, which are not dilutive for net income purposes. To calculate diluted FFO and FFO excluding adjustments for the year ended December 31, 2015, convertible debenture interest of $1.6 million and accretion expense of $0.4 million are added back to net income and 1,702,849 Units are added back to the weighted average Units outstanding (year ended December 31, 2014 – convertible debenture interest of $3.4 million and accretion expense of $0.7 million, and 2,974,429 Units, respectively). To calculate diluted AFFO for the year ended December 31, 2015, convertible debenture interest of $1.6 million is added back to net income and 1,702,849 Units are added back to the weighted average Units outstanding (year ended December 31, 2014 – $3.4 million and 2,974,429 Units, respectively).

The analysis below shows a reconciliation from cash provided by operating facilities to FFO (excluding adjustments) and AFFO for the years ended December 31, 2015 and December 31, 2014:

	Year Ended December 31, 2015		Year Ended December 31, 2014	
(in thousands of dollars except, per Unit amounts)	**FFO**	**AFFO**	FFO	AFFO
Cash provided by operating activities	**296,248**	**296,248**	240,649	240,649
Earnings from associates, net of distributions	**1,019**	**1,019**	4,461	4,461
Amortization of equipment	**(565)**	**(565)**	(443)	(443)
Amortization of acquisition date fair value adjustments on assumed debt	**2,828**	**2,828**	1,530	1,530
Accretion on convertible debentures	**(354)**	**(1)**	(721)	–
Amortization of deferred financing costs	**(4,339)**	**(4,339)**	(4,332)	(4,332)
Capital lease obligation interest	**(450)**	**(450)**	(99)	(99)
Straight-line rent adjustments	**2,150**	**–**	2,810	–
Deferred unit compensation expense	**(1,967)**	**(1,967)**	(1,002)	(1,002)
Long Term Incentive Plan expense	**(2,165)**	**(2,165)**	(259)	(259)
Redemption of deferred units	**6,801**	**6,801**	104	104
Expenditures on direct leasing costs	**5,824**	**–**	3,573	–
Expenditures on tenant incentives of properties under development	**4,959**	**4,959**	6,891	6,891
Changes in other non-cash operating items	**(5,144)**	**(5,144)**	12,648	12,648
Adjustments relating to investment in associates:				
Indirect interest with respect to development portion	**2,198**	**2,198**	1,395	1,395
Change in fair value of investment properties	**(1,551)**	**(1,551)**	(4,126)	(4,126)
Change in fair value on interest rate swap agreements	**936**	**936**	–	–
Salaries and related costs attributed to leasing activities	**1,337**	**–**	–	–
Acquisition costs	**1,018**	**1,018**	–	–
Write-off of unamortized financing costs	**213**	**213**	457	457
Write-off of unamortized financing costs on redemption of convertible debentures	**588**	**588**	–	–
Transition costs	**–**	**–**	1,347	1,347
Sustaining capital expenditures	**–**	**(7,720)**	–	(7,747)
	309,584	**292,906**	264,883	251,474
Per Unit – basic/diluted excluding adjustments	**$2.11/$2.10**	**$2.00/$1.99**	$1.96/$1.95	$1.86/$1.84
Payout ratio	**76.8%**	**81.1%**	80.3%	84.7%

In any given period, the distributions declared may differ from cash provided by operating activities, primarily due to seasonal fluctuations in non-cash operating items (amounts receivable, prepaid expenses, deposits, accounts payable and accrued liabilities). These seasonal or short-term fluctuations are funded, if necessary, by the revolving operating facility. In addition, the distributions declared include a component funded by the DRIP. Management anticipates that distributions declared will, in the foreseeable future, continue to vary from net income because net income includes fair value adjustments to investment properties, fair value changes in financial instruments, and other adjustments, and also because distributions are determined based on non-IFRS cash flow measures, which include consideration of the maintenance of productive capacity. Management will continue to assess the sustainability of cash and non-cash distributions in each financial reporting period.

Weighted Average Number of Units

The weighted average number of Trust and LP Units is included in calculating the Trust's FFO and AFFO per Unit. Diluted FFO and AFFO per Unit are adjusted for the dilutive effect of the convertible debentures, vested Earnout options and vested portion of deferred units, unless they are anti-dilutive. To calculate diluted FFO and AFFO per Unit for the year ended December 31, 2015, vested deferred units and convertible debentures are added back to the weighted average Units outstanding, because they are dilutive. There were no vested Earnout options outstanding as at December 31, 2015 and December 31, 2014.

The following table sets forth the weighted average number of Units outstanding for the purpose of FFO and AFFO per Unit calculations in this MD&A:

(number of Units)	**Three Months Ended December 31, 2015**	Three Months Ended December 31, 2014	**Year Ended December 31, 2015**	Year Ended December 31, 2014
Trust Units	**128,477,236**	116,908,732	**123,647,328**	116,439,291
Class B LP Units	**16,313,976**	16,247,174	**16,292,334**	16,171,644
Class D LP Units	**311,022**	311,022	**311,022**	311,022
Class B LP II Units	**756,525**	756,525	**756,525**	756,525
Class B LP III Units	**3,747,995**	1,944,505	**2,995,269**	1,685,511
Class B LP IV Units	**3,035,756**	–	**1,807,988**	–
Class B Oshawa South LP Units	**688,336**	–	**411,116**	–
Class D Oshawa South LP Units	**251,649**	–	**150,300**	–
Class B Oshawa Taunton LP Units	**305,765**	–	**182,621**	–
Class D Oshawa Taunton LP Units	**17,043**	–	**40,380**	–
Basic	**153,905,303**	136,167,958	**146,594,883**	135,363,993
Vested deferred units	**626,401**	678,611	**630,445**	652,922
Convertible debentures	**–**	2,321,130	**1,072,404**	2,321,507
Diluted	**154,531,704**	139,167,699	**148,297,732**	138,338,422

Management determines the Trust's Unit cash distribution rate by, among other considerations, its assessment of cash flow as determined using certain non-IFRS measures. As such, management feels the cash distributions are not an economic return of capital, but a distribution of sustainable cash flow from operations. Management targets a payout ratio of approximately 82% to 87% of AFFO, which allows for any unforeseen expenditures for the maintenance of productive capacity. Based on current facts and assumptions, management does not anticipate cash distributions will be reduced or suspended in the foreseeable future. The AFFO payout ratio for the year ended December 31, 2015 was 81.1% (years ended December 31, 2014 – 84.7%; December 31, 2013 – 88.6%).

(in thousands of dollars)	**Year Ended December 31, 2015**	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash provided by operating activities	**296,248**	240,649	238,452
Net income and comprehensive income	**319,489**	263,708	316,623
Distributions declared	**239,647**	212,339	207,108
Distributions paid	**197,789**	183,084	180,217
AFFO	**292,906**	251,474	234,226
Surplus of AFFO over distributions declared	**53,259**	39,135	27,118
Surplus of AFFO over distributions paid	**95,117**	68,390	54,009
Surplus of cash provided by operating activities over distributions declared	**56,601**	28,310	31,344
Surplus of cash provided by operating activities over distributions paid	**98,459**	57,565	58,235
Surplus (shortfall) of cash provided by operating activities over AFFO	**3,342**	(10,825)	4,226
Surplus of net income and comprehensive income over distributions declared	**79,842**	51,369	109,515

Quarterly Information

(in thousands of dollars, except Unit and per Unit amounts)

	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Rental from investment properties[1]	178,085	172,874	160,663	158,701	154,142	147,849	153,440	157,992
NOI[1]	114,117	116,230	105,922	101,715	97,830	99,074	97,830	100,216
Net income and comprehensive income	91,677	92,574	79,991	55,247	61,178	82,750	62,888	56,892
FFO	80,423	83,881	73,539	60,085	64,442	66,447	61,923	56,900
Per Unit								
Basic	$0.52	$0.55	$0.52	$0.44	$0.47	$0.49	$0.46	$0.42
Diluted[2]	$0.52	$0.54	$0.51	$0.44	$0.47	$0.49	$0.46	$0.42
FFO excluding adjustments[3]	80,423	83,881	74,127	71,107	65,789	66,447	66,286	66,361
Per Unit								
Basic	$0.52	$0.55	$0.52	$0.52	$0.48	$0.49	$0.49	$0.49
Diluted[2]	$0.52	$0.54	$0.52	$0.52	$0.48	$0.49	$0.49	$0.49
AFFO[4]	76,750	79,655	69,830	66,625	63,474	63,026	62,553	62,421
Per Unit								
Basic	$0.50	$0.52	$0.49	$0.49	$0.47	$0.47	$0.46	$0.46
Diluted[2]	$0.50	$0.52	$0.49	$0.48	$0.46	$0.46	$0.46	$0.46
Cash provided by operating activities	111,197	81,686	53,881	49,484	88,764	47,240	55,251	46,381
Distributions declared	63,854	61,761	59,124	54,908	54,732	52,732	52,514	52,361
Units outstanding[5]	154,088,207	153,718,198	153,209,776	136,739,722	136,315,194	136,030,604	135,321,366	134,916,952
Weighted average Units outstanding								
Basic	153,905,303	153,405,481	142,266,459	136,536,536	135,363,993	135,572,859	135,124,748	134,570,559
Diluted[2]	154,531,704	154,054,318	144,987,357	139,387,830	138,338,422	138,556,609	138,099,587	137,522,028
Total assets	8,505,003	8,530,967	8,409,460	7,197,619	7,107,403	7,157,228	7,049,956	7,017,315
Total debt[1]	3,823,229	3,878,404	3,793,412	3,072,520	3,003,121	3,075,422	2,998,426	2,999,902

1 Includes the Trust's share of earnings from investment in associates.

2 Diluted AFFO and FFO are adjusted for the dilutive effect of the convertible debentures, vested Earnout options and vested portion of deferred units, unless they are anti-dilutive.

3 June 30, 2015 excludes write-off of unamortized financing costs on redemption of convertible debentures ($0.6 million). March 31, 2015 excludes the yield maintenance on redemption of unsecured debentures and related write-off of unamortized financing costs ($11.0 million). December 31, 2014 excludes the adjustment for CFO transition costs ($0.9 million). June 30, 2014 excludes yield maintenance fee paid and write-off of unamortized transaction costs upon redemption of senior unsecured debentures ($4.3 million). March 31, 2014 excludes the yield maintenance fee paid and write-off of unamortized transaction costs upon redemption of senior unsecured debentures ($9.5 million).

4 A normalized level of sustaining capital expenditures and leasing costs is used in the first three quarters of 2015, and in the first three quarters of 2014, adjusted to actual in the fourth quarter.

5 Total units outstanding include Trust Units and LP Units, including Class D Units classified as financial liabilities.

Related Party (see also "The Transaction" section)

Pursuant to the Declaration of Trust in effect at the time of the Trust's last annual general and special meeting of the Unitholders held on May 26, 2015 (the "Meeting"), Penguin was entitled to have a minimum of 25.0% of the votes eligible to be cast at such meeting (the "Voting Top-Up Right"). As a result, the Trust issued 4,285,399 Special Voting Units of the Trust ("Special Voting Units") to increase Penguin's voting rights to 25.0% in advance of the Meeting. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust, nor are they convertible into any securities of the Trust. Pursuant to the Voting Top-Up Right, the total number of Special Voting Units is adjusted for each meeting of the Unitholders based on changes in Penguin's ownership interest. There is no value assigned to the Special Voting Units. In connection with the Transaction, the Voting Top-Up Right was extended for an additional five years provided that Penguin meets certain ownership thresholds in any given 365-day period during such five years ("the Voting Top-Up Right Extension"). The Voting Top-Up Right Extension, together with related amendments to the Declaration of Trust, was approved by a majority of minority Unitholders (i.e. Unitholders other than Penguin) at the Meeting. As a result of the Voting Top-Up Right Extension, and at the request of the TSX, the Trust also re-designated its Trust Units as "Variable Voting Units" effective July 8, 2015. Such designation will cease on the termination of the Voting Top-Up Right in 2020. The Voting Top-Up Right is more particularly described in the Trust's management information circular dated April 27, 2015, which is filed on SEDAR, and is also summarized under "The Transaction". As at December 31, 2015, Penguin owned 22.6% of the aggregate issued and outstanding Trust Units in addition to the Special Voting Units noted above. The 22.6% ownership would increase to 27.0% if Penguin exercised all remaining options to purchase Units pursuant to existing development and exchange agreements. In addition, the Trust has entered

into property management, leasing, development and exchange agreements, and co-ownership agreements with Penguin. Pursuant to its rights under the Declaration of Trust, at December 31, 2015, Penguin has appointed two Trustees out of seven.

The Trust has entered into contracts and other arrangements with Penguin on a cost-sharing basis for administrative services and on market terms for leasing and development services and premises rent. The Trust earns interest on funds advanced and opportunity fees related to prepaid land held for development at rates negotiated at the time the Trust acquires retail centres from Penguin.

In connection with the Transaction, previous contracts and other arrangements with Penguin have been replaced by the following as of May 28, 2015:

1. The Development and Services Agreement, under which the Trust and certain subsidiary limited partnerships of the Trust have agreed to provide to Penguin the following services for a five-year term with automatic five-year renewal periods thereafter:
    a. Construction management services and leasing services are provided, at the discretion of Penguin, with respect to certain of Penguin's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of Penguin, are based on various rates that approximate market rates, depending on the term and nature of the lease. In addition, management fees are provided for a market-based fee based on rental revenue.
    b. Transition services relate to activities necessary to become familiar with Penguin projects and establishing processes and systems to accommodate the needs of Penguin.
    c. Support services are provided for a fee based on an allocation of the relevant costs of the support services incurred by the Trust. Such relevant costs include: office administration, human resources, information technology, insurance, legal and marketing. In addition, the Trust rents its office premises from Penguin for a term ending May 2025.

2. The Service Agreement pursuant to which Penguin under the supervision of Mitchell Goldhar, has agreed to provide to the Trust certain advisory, consulting, and strategic services, including but not limited to strategies dealing with development, municipal approvals, acquisitions, dispositions, and construction costs, as well as strategies for marketing new projects and leasing opportunities. The fees associated with this agreement are $0.9 million per quarter for a five-year term.

The following amounts are included in the Trust's consolidated financial statements for the years ended December 31:

(in thousands of dollars)	**2015**	2014
Related party transactions and balances with Penguin (see also "The Transaction" section)		
For the year ended December 31:		
Revenues:		
Transition fee revenue	**2,409**	–
Management fee revenue pursuant to the Management Agreement	**4,659**	1,275
Support services	**507**	–
Interest income from mortgages and loans receivable	**8,372**	9,246
Head lease rents and operating cost recoveries included in rentals from income properties	**2,324**	1,444
Expenses:		
Master planning services:		
Included in general and administrative expenses	**517**	–
Capitalized to properties under and held for development	**1,550**	–
Development fees and costs (capitalized to real estate assets)	**3,156**	5,335
Interest expense (capitalized to properties under development)	**29**	103
Opportunity fees capitalized to properties under development	**2,184**	2,063
Rent and operating costs (included in general and administrative expenses and in property operating costs)	**1,565**	1,197
Legal and other administrative services (included in general and administrative expenses and in property operating costs)	**1,196**	1,649
Marketing cost sharing (included in property operating costs)	**432**	501
As at December 31:		
Receivables:		
Amounts receivable, prepaid and deposits	**3,899**	1,609
Opportunity fees (capitalized to properties under development)	**185**	208
Payables:		
Accounts payable and accrued liabilities	**1,538**	1,620
Future land development obligation	**17,051**	18,512
Secured debt	**5,175**	4,993

The financial implications of related party agreements are disclosed in the notes to the consolidated financial statements for the year ended December 31, 2015. See also "The Transaction" section.

Income Taxes and SIFT Compliance

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. In accordance with the Declaration of Trust, distributions to Unitholders are declared at the discretion of the Trustees. The Trust endeavours to declare distributions in each taxation year in such an amount as is necessary to ensure the Trust will not be subject to taxes on its net income and net capital gains under Part I of the Income Tax Act (Canada) (the "Tax Act").

Pursuant to the amendments to the Tax Act, the taxation regime applicable to SIFTs and investors in SIFTs has been altered. If the Trust were to become subject to these new rules (the "SIFT Rules"), it generally would be taxed in a manner similar to corporations on income from business carried on in Canada by the Trust and on income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Tax Act), at a combined federal and provincial tax rate similar to that of a corporation. In general, distributions paid as returns of capital will not be subject to this tax. The SIFT Rules apply commencing in the 2011 taxation year. The SIFT Rules are not applicable to a real estate investment trust that meets certain specified criteria relating to the nature of its revenue and investments (the "REIT Exemption").

The Trust qualifies for the REIT Exemption under the SIFT rules as at December 31, 2015.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting – National Instrument 52-109 Compliance

Disclosure Controls and Procedures ("DCP")

The Trust's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed or caused to be designed, under their direct supervision, the Trust's DCP (as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), adopted by the Canadian Securities Administrators) to provide reasonable assurance that: (i) material information relating to the Trust, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the interim filings are being prepared; and (ii) material information required to be disclosed in the annual filings is recorded, processed, summarized and reported on a timely basis. The Trust continues to evaluate the effectiveness of DCP and changes are implemented to adjust to the needs of new processes and enhancement required. Further, the Trust's CEO and CFO have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the Trust's DCP at December 31, 2015, and concluded that it was effective.

Internal Control Over Financial Reporting ("ICFR")

The Trust's CEO and CFO have also designed, or caused to be designed under their direct supervision, the Trust's ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS. Using the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission 2013 (COSO 2013), the Trust's CEO and CFO have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of the Trust's ICFR as at December 31, 2015, and concluded that it was effective.

Inherent Limitations

Notwithstanding the foregoing, because of its inherent limitations a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management's estimates may be incorrect, or assumptions about future events may be incorrect, resulting in varying results. In addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

Critical Accounting Estimates

In preparing the Trust's audited consolidated financial statements and accompanying notes, it is necessary for management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses during the period. The significant items requiring estimates are discussed in the Trust's audited consolidated financial statements for the year ended December 31, 2015, and the notes contained therein.

Future Changes in Accounting Policies

The future accounting policy changes as proposed by the International Accounting Standards Board (IASB) are discussed in the Trust's audited consolidated financial statements for the year ended December 31, 2015, and the notes contained therein.

Risks and Uncertainties

In addition to the risks discussed below, further risks are discussed in the Trust's Annual Information Form for the year ended December 31, 2015 under the heading "Risk Factors".

Real Property Ownership Risk
All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors.

Real estate has a high fixed cost associated with ownership and income lost due to declining rental rates or increased vacancies cannot easily be minimized through cost reduction. Through well-located, well-designed and professionally managed properties, management seeks to reduce this risk. Management believes prime locations will attract high-quality retailers with excellent covenants and will enable the Trust to maintain economic rents and high occupancy. By maintaining the property at the highest standard through professional management practices, management seeks to increase tenant loyalty.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and on the vacancy rates of the Trust's portfolio of income-producing properties. The Trust's Adjusted Funds From Operations would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the Trust has an interest were not able to be leased on economically favourable lease terms. In addition, the Adjusted Funds From Operations of the Trust would be adversely affected by increased vacancies in the Trust's portfolio of income-producing properties. On the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the Trust than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the Trust's investment may be incurred. Furthermore, at any time, a tenant of any of the Trust's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and, thereby, cause a reduction in the cash flow available to the Trust. The ability to rent unleased space in the properties in which the Trust has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property. The failure to rent vacant space on a timely basis or at all would likely have an adverse effect on the Trust's financial condition.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the Trust is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. If the Trust were to be required to liquidate its real property investments, the proceeds to the Trust might be significantly less than the aggregate carrying value of its properties.

The Trust will be subject to the risks associated with debt financing on its properties and it may not be able to refinance its properties on terms that are as favourable as the terms of existing indebtedness. In order to minimize this risk, the Trust attempts to appropriately structure the timing of the renewal of significant tenant leases on the properties in relation to the time at which mortgage indebtedness on such properties becomes due for refinancing.

Significant deterioration of the retail shopping centre market in general or the financial health of Walmart in particular could have an adverse effect on the Trust's business, financial condition or results of operations.

Development and Construction Risk
Development and construction risk arises from the possibility that developed space will not be leased or that costs of development and construction will exceed original estimates, resulting in an uneconomic return from the leasing of such developments. The Trust mitigates this risk by not commencing construction of any development until sufficient lease-up has occurred and by entering into fixed price contracts for development and construction costs.

Joint Venture Risk
The Trust is a co-owner in several properties including a joint venture with Penguin to develop VMC, which is classified as an investment in associates. The Trust is subject to the risks associated with the conduct of joint ventures. Such risks include disagreements with its partners to develop and operate the properties efficiently and inability of the partners to meet their obligations to the joint ventures or third parties. Any failure of the Trust or its partners to meet its obligations, or any disputes with respect to strategic decision-making or the parties' respective rights and obligations, could have a material adverse effect on the joint ventures, which may have a material adverse effect on the Trust. These risks are mitigated by the Trust's existing relationships with its partners. The VMC site could include condominium, hotel and/or other developments, which may be prohibited activities under the SIFT Rules that could cause the Trust to violate its REIT status. In such circumstances, the Trust has an option to put certain portions of its interest in the arrangement at fair value to Penguin and may be required to provide financing to Penguin. The Trust will monitor the developments in VMC and take proactive action to protect its REIT status, and will exercise its put option only if necessary.

Interest and Financing Risk
In the low interest rate environment that the Canadian economy has experienced in recent years, leverage has enabled the Trust to enhance its return to Unitholders. A reversal of this trend, however, could significantly affect the business's ability to meet its financial obligations. In order to minimize this risk, the Trust's policy is to negotiate fixed rate secured debt with staggered maturities on the portfolio and seek to match average lease maturity to average debt maturity. Derivative financial instruments may be utilized by the Trust in the management of its interest rate exposure. The Trust's policy is not to utilize derivative financial instruments for trading or speculative purposes. In addition, the Declaration of Trust restricts total indebtedness permitted on the portfolio.

Interest rate changes will also affect the Trust's development portfolio. The Trust has entered into development agreements that obligate the Trust to acquire up to approximately 0.8 million square feet of additional income properties at a cost determined by capitalizing the rental income at predetermined rates. Subject to the ability of the Trust to obtain financing on acceptable terms, the Trust will finance these acquisitions by issuing additional debt and equity. Changes in interest rates will have an impact on the return from these acquisitions, should the rate exceed the capitalization rate used and could result in a purchase being non-accretive. This risk is mitigated as management has certain rights of approval over the developments and acquisitions.

Operating facilities and secured debt exist that are priced at a risk premium over short-term rates. Changes in short-term interest rates will have an impact on the cost of financing. In addition, there is a risk the lenders will not refinance on maturity. By restricting the amount of variable interest rate debt and the short-term debt, the Trust has minimized the impact on financial performance.

The Canadian capital markets are competitively priced. In addition, the secured debt market remains strong with lenders seeking quality products. Due to the quality and location of the Trust's real estate, management expects to meet its financial obligations.

Credit Risk
Credit risk arises from cash and cash equivalents, as well as credit exposures with respect to tenant receivables and mortgages and loans receivable. Tenants may experience financial difficulty and become unable to fulfill their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant, except Walmart Canada because of its creditworthiness. Further risks arise in the event that borrowers may default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate security has been provided in support of mortgages and loans receivable. The failure of the Trust's tenants or borrowers to pay the Trust amounts owing on a timely basis or at all would have an adverse effect on the Trust's financial condition. The Trust deposits its surplus cash and cash equivalents in high-credit-quality financial institutions only, in order to minimize any credit risk associated with cash and cash equivalents.

Environmental Risk
As an owner of real property, the Trust is subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Such laws provide that the Trust could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Trust's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against the Trust. The Trust is not aware of any material non-compliance with environmental laws at any of its properties. The Trust is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatened claims relating to environmental conditions at its properties. The Trust has policies and procedures to review and monitor environmental exposure. It is the Trust's operating policy to obtain a Phase I environmental assessment on all properties prior to acquisition. Further investigation is conducted if the Phase I assessments indicate a problem. In addition, the standard lease requires compliance with environmental laws and regulations and restricts tenants from carrying on environmentally hazardous activities or having environmentally hazardous substances on site. The Trust has obtained environmental insurance on certain assets to further manage risk.

The Trust will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the Trust does not believe that costs relating to environmental matters will have a material adverse effect on the Trust's business, financial condition or results of operations. However, environmental laws and regulations can change, and the Trust may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the Trust's business, financial condition or results of operations.

Capital Requirements
The Trust accesses the capital markets from time to time through the issuance of debt, equity or equity related securities. If the Trust were unable to raise additional funds or renew existing maturing debt on favourable terms, then acquisition or development activities could be curtailed, asset sales accelerated and property specific financing, purchase and development agreements renegotiated and monthly cash distributions reduced or suspended. However, the Trust anticipates accessing the capital markets on favourable terms due to its high occupancy levels and low lease maturities, combined with strong national tenants in prime retail locations.

Tax Rules for Income Trusts
Pursuant to the SIFT Rules, a SIFT is subject to taxes with respect to certain distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. The SIFT Rules apply to most trusts, other than REITs that qualify for the REIT Exemption. Accordingly, unless the REIT Exemption is applicable to the Trust, the SIFT Rules could have an impact on the level of cash distributions that would otherwise be made by the Trust and the taxation of such distributions to Unitholders.

As at December 31, 2015, the Trust qualifies for the REIT Exemption.

Income Tax Risk
Although the Trust believes that all expenses claimed for income tax purposes are reasonable and deductible and that the cost amounts and capital cost allowance claims are correctly determined, there can be no assurance that the Canada Revenue Agency ("CRA") will agree or that the Tax Act or the interpretation of the Tax Act will not change. If the CRA successfully challenges the deductibility of such expenses, the taxable income of the Trust and its Unitholders may be adversely affected. The extent to which distributions will be tax-deferred in the future will depend in part on the extent to which entities owned by the Trust are able to deduct capital cost allowance relating to the assets held by them.

The Transaction

On May 28, 2015, the Trust completed the previously announced acquisition (the "Transaction") of the SmartCentres platform from Mitchell Goldhar as part of a $1,171.2 million transaction that transformed the Trust into a fully integrated real estate developer and operator by adding the SmartCentres' platform of development, leasing, planning, engineering, architecture, and construction capabilities (the "Platform"). The Transaction also included the acquisition of interests in a portfolio of 22 properties (the "Properties") located principally in Ontario and Quebec, including 20 open-format Walmart Supercentre anchored or shadow-anchored shopping centres owned by Mitchell Goldhar and joint venture partners, including Wal-Mart Canada Realty Inc., for $1,116.0 million. Following closing of the Transaction (the "Closing") and to reflect its enhanced capabilities and the considerable brand recognition of SmartCentres and its trademark Penguins, the Trust changed its name to Smart Real Estate Investment Trust (or, in short form, SmartREIT) and the ticker symbol for the Units on the TSX to SRU.UN, previously CWT.UN.

The Trust financed the Transaction by the assumption of existing mortgages and development loans totalling $645.5 million, the issuance of 8,015,500 subscription receipts at a price of $28.70 totalling $230.0 million, the issuance of approximately $174.2 million in LP Units (exchangeable into Units on a one-for-one basis) to certain of the vendors at a price of $28.70 per LP Unit, being the price per subscription receipt sold under the offering described above, and the balance paid in cash adjusted for other working capital amounts.

Also as part of the overall Transaction and subsequent to the Closing, the Trust acquired two additional development properties:
- On September 25, 2015, the Trust completed the acquisition of a 60% interest in a development property in Orleans, Ontario, from Wal-Mart Canada Realty Inc., totalling 132,154 square feet of potential future development. The remaining 40% is owned by Penguin. The total purchase price of this acquisition was $8.8 million, which was satisfied by the assumption of a mortgage of $8.7 million, adjusted for costs of acquisition and other working capital amounts.
- On December 7, 2015, the Trust completed the acquisition of a 100% interest in a development property in Jonquière, Quebec, from Wal-Mart Canada Realty Inc. and Penguin, totalling 170,274 square feet of leasable area. The total purchase price of this acquisition including adjustments on closing was $9.0 million, which was funded by existing cash.

Following Closing, the Trust's portfolio includes 108 Walmart-anchored or shadow-anchored locations with 94 sites owned, representing 13.1 million square feet, further enhancing the Trust's position as Walmart Canada's most significant landlord.

The properties acquired by the Trust as a result of the Transaction, at the Trust's share collectively and as of the date of the Transaction, added 3.4 million square feet of leased retail area to the Trust's previous 27.4 million square feet of largely open-format shopping centre space, were 99.7% occupied, and had a weighted average lease term to maturity of 12.6 years. A further 1.8 million square feet is expected to be developed over time, represented by 1.6 million square feet through on-balance-sheet development and just under 0.2 million square feet through future Earnouts.

The Transaction brought the Trust's total assets, as at the Closing, to in excess of $8.3 billion, representing approximately 31.1 million square feet of retail area, and land on which 4.6 million square feet of retail area is proposed to be developed, along with the existing land for additional mixed-use density previously noted.

Mitchell Goldhar's role with the Trust has evolved as a result of the Transaction. Mitchell Goldhar assumed the role of Chair of the Board of Trustees and has been appointed as an observer to the Trust's newly formed Real Estate Committee.

The various rights granted to companies controlled by Mr. Goldhar and other entities affiliated with certain of Mr. Goldhar's relatives that will encourage and enhance Mr. Goldhar's valued engagement with the Trust are summarized below and are described in more detail in the Trust's management information circular dated April 27, 2015:

Provision		Description
Trustee Appointment	Pre-Transaction	• Right to appoint trustees based on the following ownership levels: – Ownership ≥ 5%: appoint 1 trustee, max. trustees 8; – Ownership ≥ 15%: appoint 2 trustees, max. trustees 8; and – Ownership ≥ 25%: appoint 3 trustees, max. trustees 9 • Based on holdings of Mitchell Goldhar and affiliates
	Post-Transaction	• Ownership thresholds extended to include holdings of Mitchell Goldhar, his family, heirs and executors and their affiliates (the "MG Entities"), not just Mitchell Goldhar and affiliates
Voting Top-Up Right	Pre-Transaction	• Right to vote 25% of votes at a meeting of Unitholders to July 1, 2015, as long as Mitchell Goldhar and affiliates own the lesser of (i) 20 million Units and Special Voting Units or (ii) 20% of the aggregate outstanding Units and Special Voting Units
	Post-Transaction	• Expiry extended to July 1, 2020 • Ownership threshold measurement extended from Mitchell Goldhar and affiliates to include MG Entities if Mr. Goldhar dies within that period • Ownership threshold requires Mr. Goldhar or the MG Entities to own the lesser of (i) 20 million Units and Special Voting Units (which must represent at least 10% of the outstanding Units and Special Voting Units) and (ii) 20% of the aggregate outstanding Units and Special Voting Units
Special Committee	Pre-Transaction	• N/A
	Post-Transaction	• So long as the MG Entities own 5% of the Units, until his death Mitchell Goldhar will have the right to appoint 1 member of any special committee reviewing strategic transactions where MG Entities are not an interested party
Board of Trustees Chair	Pre-Transaction	• N/A
	Post-Transaction	• Until the earlier of July 1, 2025 or the MG Entities no longer owning 10% of the Units, Mitchell Goldhar has the right to be the Chair • If Mitchell Goldhar is the Chair, the Board will elect a Lead Independent Trustee
Corporate Governance and Compensation Committee	Pre-Transaction	• Mitchell Goldhar has the right to appoint 1 member as long as he owns 15% of Units
	Post-Transaction	• Committee has right to appoint and remove the COO and CDO • From Closing until the earlier of (i) 5 years post Closing; (ii) MG Entities owning less than 10% of the Units; or (iii) Mitchell Goldhar's death: – Certain decisions related to the COO and CDO require unanimous approval – MG Entities have the right to appoint 1 member of the Committee
Registration and Pre-Emptive Rights	Pre-Transaction	• N/A
	Post-Transaction	• As long as MG Entities own 10% or more they will have Demand Registration; Piggy-Back Registration; and Pre-Emptive Rights

Mr. Goldhar also entered into a non-competition arrangement for a five-year period in relation to investing in, acquiring, developing or managing retail properties. The restrictions are subject to a number of exceptions, including exceptions to recognize Mr. Goldhar's retained real estate interests and the ability to participate with the Trust in two development opportunities and other customary exceptions to allow him to pursue investments, whether real estate or otherwise, that do not have a significant open-format shopping centre or development services component.

In connection with the Transaction, Penguin is providing master planning services under the direct supervision of Mr. Goldhar with respect to developments in which the Trust has an interest for a five-year period for a fee of $3.5 million per year, payable quarterly, plus certain limited consulting services with respect to specific mixed-use tenants for a maximum estimated aggregate fee of $0.5 million. The Transaction was approved by Unitholders (excluding those Unitholders who had an interest in the Transaction) at the Trust's annual general and special meeting of holders of Units and Special Voting Units on May 26, 2015.

Outlook

During the second quarter of 2015 we completed a transformative transaction that involved a very significant portfolio of real estate and the SmartCentres' platform (see "The Transaction" section above), that transformed SmartREIT into a fully integrated REIT. Over the last 20 years, the SmartCentres' platform has developed over 50 million square feet of retail space, including more than 170 Walmart- anchored shopping centres as Canada's largest developer of retail real estate. SmartREIT now provides a full suite of capabilities that range from origination of development opportunities to planning, engineering, architecture and design, construction, leasing, property and asset management, and operations. From a financial perspective, the Transaction further fortifies our balance sheet and from an operational perspective the Transaction provides us with an extraordinary team of professionals that now allows us to take advantage of mid to large-scale development opportunities. Our combined team of industry professionals is uniquely positioned to deal with the challenges and opportunities that will invariably arise during these periods of economic turbulence.

We have begun the process to identify and strategically prioritize various growth-oriented opportunities that currently exist within our portfolio. These opportunities will take time to complete, but when fully developed, will accrue medium and long-term financial benefits for our Unitholders. The planning and prioritization process associated with these various opportunities will be completed over the next several months. Concurrent with this process, we continue to be attentive to the evolving economic and industry-specific issues and trends and their related effects on our existing shopping centre portfolio and future opportunities. One of the key differentiators for us, particularly during these periods of economic uncertainty, is the strength, stability and security that our tenant base provides. Our continued industry-leading occupancy levels reflect the preponderance of having many of the largest, best capitalized, and most experienced retailers in our shopping centres.

From an economic perspective, the Bank of Canada continues to reaffirm its position on economic stimulus being a necessary priority during these challenging times. Accordingly, at least for the near term, increases in short term interest rates are not expected, and in fact given the precipitous decline in commodity prices, and the resulting adverse effect to both employment and growth, the probability of a further interest rate cut in 'overnight rates' is gaining momentum. Notwithstanding some volatility in the longer term market, overall rates for longer terms continue to be trending upwards. Because longer term 'all in' interest rates in Canada have historically moved in the same direction as U.S. bond rates, in the event that that U.S. Federal Reserve continues their plan to raise rates, longer term rates in Canada are expected to rise in unison.

Over the last twelve months, movement in the Government of Canada's 10-year bond rate has been capricious, reaching high and low points of 1.9% and 1.1% respectively and most recently tapering back to just below 1.3% at the end of January, 2016. In addition, because of the tremendous volatility in the capital markets, we continue to experience ever widening spreads in the long term market, particularly for unsecured debt. Over the last 12 months, spreads over the Government of Canada's 10-year bond rate for unsecured debt have ranged from a low of 210bp to a high of 285bp. Given the tremendous gyrations recently experienced in the Canadian economy, and a 'risk off' mentality being espoused by participants in this market, current spreads on 10-year unsecured debt are in the range of 265bp to 285bp. Quoted spreads over the 10-year GOC rate on secured debt, although higher than previous points over the last twelve months, are currently in the 185bp to 200bp range. Accordingly, given the wide disparity in all-in rates between these two financing sources, over the last nine months we have typically chosen 10-year secured financing as our preferred alternative and there continues to be an abundant supply of available longer term secured debt. As we have indicated over the last several quarters, the overriding trend in the marketplace is for longer term yields to continue to climb. Accordingly, we continue to pursue a disciplined "lock long" strategy when mortgage renewals and similar financing opportunities arise. This refinancing strategy has now pushed our overall weighted average term and interest rate to 5.4 years and 3.87% respectively for our secured debt (2014 – 5.3 years and 5.03%) and 5.4 years and 3.94% respectively for our unsecured debt (2014 – 4.9 years and 4.06%).

Not surprisingly, overall growth levels in Canadian retail sales continue to be challenged. For the year ended December 31, 2015, Canadian retail sales levels increased by just below 2.0% year-over-year, with continued strong gains in automotive sales and modestly improved sales levels in general merchandise, clothing and building materials. Canadians have always demonstrated strong 'value conscious' spending disciplines, and now, more than ever, during these periods of economic uncertainty and eroding confidence, our value-focused retailers in our shopping centres are able to provide meaningful and attractive alternatives for Canadian consumers.

Canada's overall employment levels continue to show strong resilience. However these overall levels are masking two very different economies. Alberta's economy in particular, is being challenged by the declining price of oil which over the last year, has dropped from US$54 per barrel to below US$30 per barrel. In addition to a rapidly eroding level of consumer confidence, this drop in the price of oil has caused heightened unemployment, dramatically reduced capital spending, reductions in house prices, and a net outbound migration of skilled labour to other provinces. However, Canadians, and in particular, Albertans, have 'weathered many economic storms' in the past, and we should feel confident in the belief that those Canadian regions that are currently experiencing economic challenges will find ways to both rebound and in the fullness of time, flourish. Juxtaposed to these challenges, as the Canadian dollar's value declines relative to the U.S. "Greenback", those Canadian provinces that are not dependent upon the oil industry are experiencing strong levels of employment and increased levels of production of goods and materials (principally because of products being manufactured and exported to the U.S.). Accordingly, these provinces, particularly Ontario and Quebec, continue to experience moderately healthy levels of consumer spending and related sales levels for many retailers. Approximately 72% of our shopping centres are located in these two provinces.

Our shopping centres have been designed to provide value-focused retailers with a platform that provides them with convenient locations, low operating costs and intelligent designs. The presence of these factors should continue to permit us to maintain overall industry leading occupancy levels with encouraging tenant renewal levels and reasonable rental increases. These levels are currently marginally lower than our historically exceptionally high levels to reflect space that has recently been vacated. We continue to be encouraged by the levels of interest by tenants of consequence (national and international in scope) in many of these vacated locations, and our team of leasing professionals continues to work fastidiously in an effort to fill these vacancies.

One of the common themes that has been experienced by all Canadian retail landlords over the last 12 months has been the impact of the closings of several well-known retailers, coupled with the announced downsizing of network stores by several other retailers. These closings have left and will continue to leave a trail of vacant space for many Canadian landlords that is expected to take several years to absorb. As we have previously noted, we are not immune to these pervading market forces, however, given the prevalence of Walmart stores in our portfolio, and Walmart's distinctive ability to drive strong levels of traffic to our locations, we believe that we are well insulated from some of these pervading challenges.

From a growth perspective, we have begun a disciplined focus on development and redevelopment opportunities in some of our existing centres. We are also continuing to pursue strategic acquisitions, although there is a dearth of higher quality immediately accretive opportunities currently available in the market. Our growth initiatives are also being propelled by the continued prodigious success of the first phase of the Toronto Premium Outlets, which has resulted in our decision to embark upon a multi-phased plan to expand the centre's parking facility and its retail footprint over the next three years. Concurrent with this expansion initiative, we are also continuing to search for other prospective Premium Outlets sites in Canada.

Completion of the first phase of construction at the VMC is quickly approaching. Excitement around the site abounds as our anchor tenant, KPMG, will commence their 'fit out' initiative this spring with a planned move-in date in the fall of 2016. Discussions with several other large prospective tenants are continuing, and we hope to have further news in this regard over the next several months. In addition, construction of the Spadina subway line's northern extension that will permit direct access from the KPMG Building to the on-site subway station continues in earnest with completion now expected in late 2017.

During the fourth quarter we received approval to develop up to 1.2 million square feet of mixed use space in the StudioCentre property at Lakeshore Boulevard East in Toronto. This development initiative, in which Smart REIT has a 50% interest, is expected to be completed over the next five to 10 years and will provide various types of space for the digital imaging, film and television production industries to augment the site's existing studio and production space.

Our 'e-commerce' strategy continues to play an ever-increasing role in our planning and development initiatives. We are increasing our on-going efforts to facilitate 'best-in-class' location and spatial solutions for the convergence of our tenants' 'omni-channel' strategies. One example of a click-and-collect solution is the 'Penguin Pick-Up' concept which is owned by Penguin (we do not have an ownership interest in this entity). The Penguin Pick-Up concept is continuing to gain momentum whereby both the rate of growth and documented level of receptivity among Penguin Pick-Up users are extraordinary. We plan to continue to facilitate the expansion of this concept in our shopping centres over the next several years.

We have strived to build a portfolio that offers strength, stability and security during these periods of economic turbulence. We intend to use these advantages as a platform for prudently managed future growth, the benefits of which will accrue to our Unitholders in the years ahead!

Management's Responsibility for Financial Reporting

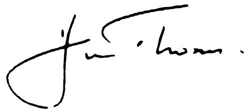
The Annual Report, including consolidated financial statements, is the responsibility of the management of Smart Real Estate Investment Trust. The financial statements have been prepared in accordance with the recommendations of the Chartered Professional Accountants Canada. Financial information contained elsewhere in this report is consistent with information contained in the consolidated financial statements.

Management maintains a system of internal controls that provides reasonable assurance that the assets of Smart Real Estate Investment Trust are safeguarded and that facilitates the preparation of relevant, timely and reliable financial information that reflects, where necessary, management's best estimates and judgments based on informed knowledge of the facts.

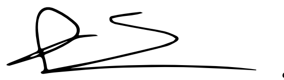
The Board of Trustees is responsible for ensuring that management fulfills its responsibility and for final approval of the consolidated financial statements. The Board has appointed an Audit Committee comprising three Trustees to approve, monitor, evaluate, advise or make recommendations on matters affecting the external audit, the financial reporting and the accounting controls, policies and practices of Smart Real Estate Investment Trust under its terms of reference.

The Audit Committee meets at least four times per year with management and with the independent auditors to satisfy itself that they are properly discharging their responsibilities. The consolidated financial statements and the Management Discussion and Analysis have been reviewed by the Audit Committee and approved by the Board of Trustees.

PricewaterhouseCoopers LLP, the independent auditors, have audited the consolidated financial statement in accordance with International Financial Reporting Standards and have read Management's Discussion and Analysis. Their auditors' report is set forth.



Huw Thomas
President, Chief Executive Officer



Peter Sweeney
Chief Financial Officer

Independent Auditor's Report

To the Unitholders of Smart Real Estate Investment Trust

We have audited the accompanying consolidated financial statements of Smart Real Estate Investment Trust and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of income and comprehensive income, equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Smart Real Estate Investment Trust and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario

February 10, 2016

Consolidated Financial Statements

Consolidated Balance Sheets

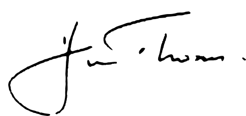
As at December 31, 2015 and December 31, 2014

(in thousands of Canadian dollars)	Note	**2015**	2014
Assets			
Non-current assets			
Investment properties	4	**8,016,247**	6,696,487
Mortgages and loans receivable	5	**143,499**	184,151
Investment in associates	6	**107,548**	100,179
Other assets	7	**83,268**	76,542
Intangible assets	8	**53,126**	–
		8,403,688	7,057,359
Current assets			
Current portion of mortgages and loans receivable	5	**48,362**	7,701
Amounts receivable, prepaid expenses and deferred financing costs	9	**31,617**	22,091
Cash and cash equivalents	18	**21,336**	20,252
		101,315	50,044
Total assets		**8,505,003**	7,107,403
Liabilities			
Non-current liabilities			
Debt	10	**3,560,677**	2,574,012
Other payables	11	**18,179**	17,049
Other financial liabilities	12	**39,517**	40,347
		3,618,373	2,631,408
Current liabilities			
Current portion of debt	10	**229,847**	427,688
Accounts and other payables	11	**174,212**	141,883
		404,059	569,571
Total liabilities		**4,022,432**	3,200,979
Equity			
Trust Unit equity		**3,693,085**	3,299,986
Non-controlling interests		**789,486**	606,438
		4,482,571	3,906,424
Total liabilities and equity		**8,505,003**	7,107,403

Commitments and contingencies (Note 24)

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Trustees.



Huw Thomas
Trustee

Garry Foster
Trustee

Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2015 and 2014

(in thousands of Canadian dollars)	Note	**2015**	2014
Net rental income			
Rentals from investment properties	16	**668,653**	605,794
Property operating costs		**(231,726)**	(211,015)
Net rental income		**436,927**	394,779
Other income and expenses			
Service and other revenues	8	**9,006**	2,025
Other expenses	8,17	**(8,974)**	(2,025)
General and administrative expense	17	**(19,434)**	(12,432)
Earnings from associates	6	**1,597**	5,226
Fair value gain on revaluation of investment properties	22	**32,835**	25,458
Loss on sale of investment properties		**(17)**	(853)
Interest expense	10(e)	**(143,959)**	(152,496)
Interest income		**11,995**	11,260
Fair value gain (loss) on financial instruments	22	**531**	(7,234)
Acquisition costs	8	**(1,018)**	–
Net income and comprehensive income		**319,489**	263,708
Net income and comprehensive income attributable to:			
Trust Units		**269,167**	226,541
Non-controlling interests		**50,322**	37,167
		319,489	263,708

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Equity

For the years ended December 31, 2015 and 2014

	Attributable to Unitholders			Attributable to LP Units Classified as Non-Controlling Interests				
(in thousands of Canadian dollars)	Trust Units (Note 14)	Retained Earnings	Unit Equity	LP Units (Note 14)	Retained Earnings	Total	Other Non-Controlling Interest	Total Equity
Equity – January 1, 2014	2,239,123	982,588	3,221,711	438,995	140,947	579,942	2,838	3,804,491
Issuance of Units	34,481	–	34,481	15,995	–	15,995	–	50,476
Net income for the year	–	226,541	226,541	–	36,820	36,820	347	263,708
Contributions by other non-controlling interest	–	–	–	–	–	–	10	10
Distributions for the year (Note 15)	–	(182,747)	(182,747)	–	(29,106)	(29,106)	(408)	(212,261)
Equity – December 31, 2014	2,273,604	1,026,382	3,299,986	454,990	148,661	603,651	2,787	3,906,424
Equity – January 1, 2015	**2,273,604**	**1,026,382**	**3,299,986**	**454,990**	**148,661**	**603,651**	**2,787**	**3,906,424**
Issuance of Units	**322,774**	**–**	**322,774**	**169,092**	**–**	**169,092**	**–**	**491,866**
Net income for the year	**–**	**269,167**	**269,167**	**–**	**49,953**	**49,953**	**369**	**319,489**
Distributions for the year (Note 15)	**–**	**(201,957)**	**(201,957)**	**–**	**(36,085)**	**(36,085)**	**(281)**	**(238,323)**
Units exchanged (Note 12 and 14)	**3,115**	**–**	**3,115**	**–**	**–**	**–**	**–**	**3,115**
Equity – December 31, 2015	**2,599,493**	**1,093,592**	**3,693,085**	**624,082**	**162,529**	**786,611**	**2,875**	**4,482,571**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

(in thousands of Canadian dollars)	Note	**2015**	2014
Cash provided by (used in)			
Operating activities			
Net income for the year		**319,489**	263,708
Add (deduct): Items not affecting cash			
Fair value gain on revaluation of investment properties	22	**(32,835)**	(25,458)
Fair value (loss) gain on financial instruments	22	**(531)**	7,234
Loss on sale of investment properties		**17**	853
Earnings from associates, net of distributions	6	**(1,019)**	(4,461)
Amortization of equipment	7	**565**	443
Amortization of acquisition date fair value adjustments on assumed debt	10(e)	**(2,828)**	(1,530)
Amortization of intangible assets	8,17	**792**	–
Accretion of convertible debentures	10(e)	**354**	721
Amortization of deferred financing costs	10(e)	**4,339**	4,332
Amortization of tenant incentives	16	**5,291**	4,596
Distributions relating to vested deferred units classified as liabilities	12(d)	**1,016**	1,024
Distributions relating to LP Units classified as liabilities	15	**796**	486
Capital lease obligation interest		**450**	99
Straight-line rent adjustments		**(2,150)**	(2,810)
Deferred unit compensation expense	12(d)	**1,967**	1,002
Long Term Incentive Plan expense	11	**2,165**	259
Yield maintenance on redemption of unsecured debentures	10(e)	**10,810**	13,367
Redemption of deferred units	12(d)	**(6,801)**	(104)
Expenditures on direct leasing costs		**(5,824)**	(3,573)
Expenditures on tenant incentives for properties under development		**(4,959)**	(6,891)
Changes in other non-cash operating items	18	**5,144**	(12,648)
		296,248	240,649
Financing activities			
Proceeds from issuance of unsecured debentures – net of issuance costs	10(c)	**158,800**	348,181
Repayment of unsecured debentures including yield maintenance on redemption	10(c)	**(260,810)**	(213,367)
Redemption of convertible debentures	10(d)	**(3,312)**	–
Proceeds from revolving operating facility	10(b)	**196,000**	17,000
Revolving operating facility repayments	10(b)	**(203,000)**	–
Proceeds from issuance of Trust Units – net of issue costs	14	**225,274**	(87)
Proceeds from issuance of secured debt		**596,300**	57,500
Secured debt and other debt repayments		**(294,854)**	(243,750)
Distributions paid on Trust Units		**(161,784)**	(153,247)
Distributions paid on non-controlling interests and LP Units classified as liabilities		**(36,005)**	(29,837)
Expenditures on financing costs		**(3,490)**	(2,339)
		213,119	(219,946)
Investing activities			
Acquisitions and Earnouts of investment properties	3	**(394,317)**	(81,915)
Acquisition of Penguin platform	8	**(55,679)**	–
Additions to investment properties	4	**(60,655)**	(76,876)
Additions to investment in associates	6	**(6,350)**	(18,180)
Additions to equipment	7	**(199)**	(28)
Advances of mortgages and loans receivable	5	**(9,786)**	–
Repayments of mortgages and loans receivable	5	**17,862**	37,444
Net proceeds from sale of investment property		**841**	38,881
		(508,283)	(100,674)
Increase (decrease) in cash and cash equivalents during the year		**1,084**	(79,971)
Cash and cash equivalents – beginning of year		**20,252**	100,223
Cash and cash equivalents – end of year		**21,336**	20,252

Supplemental cash flow information (Note 18)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(in thousands of Canadian dollars, except Unit, square foot and per Unit amounts)

1. Organization

Smart Real Estate Investment Trust and its subsidiaries ("the Trust"), previously known as Calloway Real Estate Investment Trust, is an unincorporated open-ended mutual fund trust governed by the laws of the Province of Alberta created under a declaration of trust, dated December 4, 2001, subsequently amended and last restated on July 3, 2015 ("the Declaration of Trust"). The Trust develops, leases, constructs, owns and manages shopping centres in Canada, both directly and through its subsidiaries, Smart Limited Partnership, Smart Limited Partnership II and Smart Limited Partnership III, and includes the following additional subsidiaries that arose from the acquisition of both the Penguin (formerly referred to as "SmartCentres") platform and group of properties from Penguin and other vendors on May 28, 2015 (see Notes 3 and 8): Smart Limited Partnership IV, Smart Oshawa South Limited Partnership, Smart Oshawa Taunton Limited Partnership and Smart Boxgrove Limited Partnership. The exchangeable securities of these subsidiaries, which are presented as non-controlling interests or as a liability as appropriate, are economically equivalent to Trust Units as a result of voting, exchange and distribution rights as more fully described in Note 14(a). The address of the Trust's registered office is 700 Applewood Crescent, Suite 200, Vaughan, Ontario, L4K 5X3. The Units of the Trust are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol "SRU.UN" (previously "CWT.UN").

These consolidated financial statements have been approved for issue by the Board of Trustees on February 10, 2016. The Board of Trustees has the power to amend the consolidated financial statements after issue.

At December 31, 2015, the Penguin Group of Companies (formerly referred to as the "SmartCentres Group of Companies" and referred to herein as "Penguin"), owned by Mitchell Goldhar, owned approximately 22.6% (December 31, 2014 – 21.3%) of the issued and outstanding Units of the Trust and Limited Partnerships (see Note 19).

2. Summary of significant accounting policies

2.1 Basis of presentation

The Trust's consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand. The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of investment property and certain financial and derivative instruments (discussed in Note 2.4 and Note 2.10, respectively). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

Statement of compliance

The consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.2 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Trust has control. The Trust controls an entity when the Trust is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Trust. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, unrealized losses and unrealized gains on transactions between the Trust and its subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Trust.

Non-controlling interests represent equity interests in subsidiaries not attributable to the Trust. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Net income and comprehensive income are attributed to Trust Units and non-controlling interests.

Interests in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement, whereas a joint venture is a joint arrangement whereby the parties that have joint control only have rights to the net assets of the arrangement. The Trust is a co-owner in several properties that are subject to joint control and has determined that all current joint arrangements are joint operations as the Trust, through its subsidiaries, is the direct beneficial owner of the Trust's interests in the properties. For these properties, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements (see Note 20).

2.3 Investments in associates

Associates are entities over which the Trust has significant influence but not control or joint control, generally accompanying an ownership of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of

accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee, including the Trust's pro rata share of changes in fair value of investment property held by the associate from the previous reporting period, after the date of acquisition. The Trust's investment in associates includes any goodwill identified on acquisition.

The Trust's share of post-acquisition profit or loss is recognized in the consolidated statement of income and comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Trust's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Trust does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Trust determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Trust calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of income and comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Trust and an associate are recognized in the Trust's financial statements only to the extent of an unrelated investor's interests in the associate. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are updated when necessary to ensure consistency with the policies adopted by the Trust.

2.4 Investment properties

Investment properties include income-producing properties and properties under development (land or building, or part of a building, or both) that are held by the Trust, or leased by the Trust as a lessee under a finance lease, to earn rentals or for capital appreciation or both.

Acquired investment properties are measured initially at cost, including related transaction costs in connection with asset acquisitions. Certain properties are developed by the Trust internally, and other properties are developed and leased to third parties under development management agreements with Penguin and other vendors ("Earnouts"). Earnouts occur where the vendors retain responsibility for managing certain developments on land acquired by the Trust for additional proceeds paid on completion calculated based on a predetermined, or formula based, capitalization rate, net of land and development costs incurred by the Trust (see Note 4(b)(i)). The completion of an Earnout is reflected as an additional purchase in Note 3. Costs capitalized to properties under development include direct development and construction costs, Earnout Fees ("Earnout Fees"), borrowing costs and property taxes.

Borrowing costs that are incurred for the purpose of, and are directly attributable to, acquiring or constructing a qualifying investment property are capitalized as part of its cost. The amount of borrowing cost capitalized is determined first by reference to borrowings specific to the project, where relevant, and otherwise by applying a weighted average cost of borrowings to eligible expenditures after adjusting for borrowings associated with other specific developments. Borrowing costs are capitalized while acquisition or construction is actively underway and cease once the asset is ready for use as intended by management, or suspended if the development of the asset is suspended.

After the initial recognition, investment properties are recorded at fair value, determined based on comparable transactions, if any. If comparable transactions are not available, the Trust uses alternative valuation methods, such as the direct income capitalization method or discounted cash flow projections. Valuations, where obtained externally, are performed either as of a June 30 valuation date or as of a December 31 valuation date with quarterly updates on capitalization rates by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. Related fair value gains and losses are recorded in the consolidated statements of income and comprehensive income in the period in which they arise.

Fair value measurement of an investment property under development is only applied if the fair value is considered to be reliably measurable. In rare circumstances, investment property under development may be carried at cost until its fair value becomes reliably measurable. It may sometimes be difficult to determine reliably the fair value of an investment property under development. In order to evaluate whether the fair value of an investment property under development can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project or property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- past experience with similar construction; and
- status of construction permits.

At December 31, 2015 and December 31, 2014, all properties under development were recorded at fair value.

Investment property held by the Trust under an operating lease is classified as investment property when the definition of an investment property is met and the Trust elects to account for the lease as a finance lease. The Trust has elected to account for all leasehold property interests that meet the definition of investment property held by the Trust as a finance lease. Finance leases are recognized at the lease's commencement date at the lower of the fair value of the leased property interest and the present value of the minimum lease payments. Investment properties recognized under finance leases are carried at their fair value.

Subsequent expenditure is capitalized to the investment property's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Initial direct leasing costs incurred by the Trust in negotiating and arranging tenant leases are added to the carrying amount of investment properties.

2.5 Business combinations

The Trust has applied business combination accounting to account for the acquisition of the Penguin platform (see Note 8) whereby identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Any difference between the purchase price and the fair value of identifiable net assets acquired is considered goodwill. The Trust expenses any transaction costs associated with a business combination in the period incurred. When an acquisition does not meet the criteria for a business, it is accounted for as an asset acquisition. Any transaction costs associated with an asset acquisition are allocated to the assets and liabilities acquired. No goodwill is recognized for asset acquisitions. Goodwill is the excess of the purchase price over the acquired identifiable net assets in a business combination.

2.6 Intangible assets and goodwill

The Trust's intangible assets comprise key joint venture relationships, trademarks and goodwill. The joint venture relationships and trademarks have finite useful lives, and as such are amortized over a period of 30 years and reviewed for impairment when an indication of impairment exists. Goodwill is not amortized but tested for impairment at least annually, or more frequently if there are indicators of impairment.

2.7 Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses and is included in other assets. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The Trust records amortization expense on a straight-line basis over the assets' estimated useful lives as follows:

Office furniture and fixtures	up to 7 years
Computer hardware	up to 5 years
Computer software	up to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

If events and circumstances indicate an asset may be impaired, the asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount defined as the higher of an asset's fair value less costs to sell and its value in use.

2.8 Provisions

Provisions are recognized when: (i) the Trust has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation that reflect current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.9 Classification of Units as liabilities and equity

a) Trust Units

The Trust Units meet the definition of a financial liability under IFRS as the redemption feature of the Trust Units creates an unavoidable contractual obligation to pay cash (or another financial instrument such as notes payable if redemptions exceed $50 in a given month).

The Trust Units are considered to be "puttable instruments" because of the redemption feature. IFRS provides a very limited exemption to allow puttable instruments to be presented as equity provided certain criteria are met.

To be presented as equity, a puttable instrument must meet all of the following conditions: (i) it must entitle the holder to a pro-rata share of the entity's net assets in the event of the entity's dissolution; (ii) it must be in the class of instruments that is subordinate to all other instruments; (iii) all instruments in the class in (ii) must have identical features; (iv) other than the redemption feature, there can be no other contractual obligations that meet the definition of a liability; and (v) the expected cash flows for the instrument must be based substantially on the profit or loss of the entity or change in fair value of the instrument. This is called the "Puttable Instrument Exemption".

The Trust Units meet the Puttable Instrument Exemption criteria and accordingly are presented as equity in the consolidated financial statements. The distributions on Trust Units are deducted from retained earnings.

b) Limited Partnership Units

The Class B General Partnership Units and Class D Limited Partnership Units of Smart Limited Partnership (referred to herein as "LP Units"), Class B Limited Partnership Units of Smart Limited Partnership II (referred to herein as "LP II Units"), Class B General Partnership Units of Smart Limited Partnership III (referred to herein as "LP III Units"), Class B General Partnership Units of Smart Limited Partnership IV (referred to herein as "LP IV Units"), Class B General Partnership Units and Class D Limited Partnership Units of Smart Oshawa South Limited Partnership (referred to herein as "Oshawa South LP Units") and Class B General Partnership Units and Class D Limited Partnership Units of Smart Oshawa Taunton Limited Partnership (referred to herein as "Oshawa Taunton LP Units") are exchangeable into Trust Units at the partners' option. LP IV, Oshawa South LP and Oshawa Taunton LP were limited partnerships formed in 2015, see details in Note 14.

As a result of this obligation, at January 1, 2010 these Units were exchangeable into a liability (the Trust Units are a liability by definition), and accordingly the Class B and D LP Units, Class B LP II Units and Class B LP III Units were also considered to be a liability, measured at amortized cost each reporting period with changes in carrying amount recorded directly in the consolidated statements of income and comprehensive income. The distributions on such Units were classified as interest expense in the consolidated statements of income and comprehensive income. At the end of the fourth quarter of 2010 and the fourth quarter of 2012, certain amendments to the Exchange, Option and Support Agreements ("EOSA") for each respective LP, LP II and LP III were made so that effective December 31, 2010, the Series 1 and Series 3 Class B LP Units, Class B LP II Units and Class B LP III Units, and effective December 31, 2012, the Class B Series 2 LP Units, could be classified as equity in the Trust's consolidated financial statements. These Units were transferred at their carrying value on the date the amendments to the EOSA were made, and no further adjustments were made. The amendments to the EOSA agreements require the Trust to convert to a closed-end Trust prior to honouring a redemption request by the partners. Converting to a closed-end Trust will classify the Trust Units as equity as the Trust Units will no longer have the redemption feature. Accordingly, the LP Units subject to the amended EOSA are exchangeable only into equity and as a result are presented in equity as non-controlling interests in the Trust's consolidated financial statements.

The Class D LP Units, Class D Oshawa South LP Units and Class D Oshawa Taunton LP Units (collectively referred to herein as "Class D Units") will continue to be presented as a liability, measured at amortized cost each reporting period, which will approximate the fair value of Trust Units, with changes in amortized cost recorded directly in earnings. The distributions on such Units are classified as interest expense in the consolidated statement of income and comprehensive income.

The Trust considers distributions on such Units classified as interest expense to be a financing activity in the consolidated statement of cash flows.

2.10 Financial instruments – recognition and measurement

Financial instruments must be classified into one of the following specified categories: at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets, loans and receivables and other liabilities. Initially, all financial assets and financial liabilities are recorded on the consolidated balance sheet at fair value. After initial recognition, financial instruments are measured at their fair values, except for held-to-maturity investments, loans and receivables and other financial liabilities, which are measured at amortized cost. The effective interest related to financial assets and liabilities measured at amortized cost and the gain or loss arising from the change in the fair value of financial assets or liabilities classified as FVTPL are included in net income for the period in which they arise. AFS financial instruments are measured at fair value with gains and losses recognized in other comprehensive income until the financial asset is derecognized, and all cumulative gains or losses are then recognized in net income.

The following summarizes the Trust's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets		
Mortgages and loans receivable	Loans and receivables	Amortized cost
Amounts receivable and deposits	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost
Financial liabilities		
Accounts and other payables	Other liabilities	Amortized cost
Secured debt	Other liabilities	Amortized cost
Revolving operating facility	Other liabilities	Amortized cost
Unsecured debentures	Other liabilities	Amortized cost
Long Term Incentive Plan	Other liabilities	Amortized cost
Convertible debentures inclusive of conversion feature (see 2.12)	FVTPL	Fair value
Class D Units (see 2.9)	FVTPL	Fair value
Earnout options (see 2.13)	FVTPL	Fair value
Deferred unit plan (see 2.13)	FVTPL	Fair value
Fair value of interest rate swap agreements	FVTPL	Fair value

a) Financing costs

Financing costs include commitment fees, underwriting costs and legal costs associated with the acquisition or issuance of financial assets or liabilities.

Financing costs relating to secured debt, non-revolving credit facilities, and convertible and unsecured debentures are accounted for as part of the respective liability's carrying value at inception and amortized to interest expense using the effective interest method. Financing costs incurred to establish revolving credit facilities are deferred as a separate asset on the consolidated balance sheet and amortized on a straight-line basis over the term of the facilities. In the event any debt is extinguished, any associated unamortized financing costs are expensed immediately.

b) *Derivative instruments*
Derivative financial instruments may be utilized by the Trust in the management of its interest rate exposure. Derivatives are carried at fair value with changes in fair value recognized in net income. The Trust's policy is not to utilize derivative instruments for trading or speculative purposes.

c) *Fair value of financial and derivative instruments*
The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act; i.e., the fair value of consideration given or received. In certain circumstances, the fair value may be determined based on observable current market transactions in the same instrument, using market-based inputs. The fair values are described and disclosed in Note 13.

d) *Modifications of loans and debt*
Amendments to mortgages and loans receivable and debt are assessed as either modifications or extinguishments based on the terms of the revised agreements. An amendment is treated as an extinguishment if the present value of cash flows under the terms of the modified loan or debt instrument is at least 10% different from the carrying amount of the original loan or debt. When an extinguishment is determined, the loan or debt is derecognized and the fair value of the loan or debt under the amended terms is recognized, with the difference recorded as a gain or loss. The new loan or debt is carried at amortized cost using the effective interest rate inherent in the new loan or debt. When a modification is determined, the carrying amount of the loan or debt continues to be recognized at amortized cost using the original effective interest rate and no gain or loss on settlement is recorded.

e) *Impairment of financial assets*
The Trust assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Trust uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or legal reasons relating to the borrower's financial difficulty, the granting to the borrower a concession that the lender would not otherwise consider;
- the probability that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of income and comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statements of income and comprehensive income.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with original maturities of three months or less. At December 31, 2015, cash and cash equivalents include the Trust's proportionate share of cash balances of co-ownerships of $12,199 (December 31, 2014 – $12,579) (Note 20).

2.12 Convertible debentures

Convertible debentures issued by the Trust are convertible into Trust Units at the option of the holder, and the number of Units to be issued does not vary with changes in their fair value.

Upon issuance, convertible debentures are separated into their debt and conversion feature components. The debt component of the convertible debentures is recognized initially at the fair value of a similar debt instrument without a conversion feature. Subsequent to initial recognition, the debt component of a compound financial instrument is measured at amortized cost using the effective interest method.

The conversion feature component of the convertible debentures is initially recognized at fair value. The convertible debentures are convertible into Trust Units at the holder's option. As a result of this obligation, the convertible debentures are exchangeable into a liability (the Trust Units are a liability by definition) and accordingly the conversion feature component of the convertible debentures is also a liability. Accordingly, the conversion feature component of the convertible debentures is recorded on the consolidated balance sheet as a liability, measured at fair value, with changes in fair value recognized in the consolidated statements of income and comprehensive income.

Any directly attributable transaction costs are allocated to the debt and conversion components of the convertible debentures in proportion to their initial carrying amounts.

2.13 Trust and LP Unit based arrangements

a) *Unit options issued to non-employees on acquisitions (the "Earnout options")*

The Earnout options are described in Note 12(b). In connection with certain acquisitions and the associated development agreements, the Trust may grant options to acquire Units of the Trust or Smart LPs to Penguin or other vendors. These options are exercisable only at the time of completion and rental of additional space on acquired properties at strike prices determined on the date of grant. Earnout options that have not vested expire at the end of the term of the corresponding development management agreement.

The Earnout options are considered to be a financial liability because there is a contractual obligation for the Trust to deliver Trust or LP Units upon exercise of the Earnout options. As a result of this obligation, the Earnout options are exchangeable into a liability (the Trust and LP Units are a liability by definition), and accordingly, the Earnout options are also considered to be a liability.

The Earnout options are considered to be contingent consideration with respect to the acquisitions they relate to, and are initially recognized at their fair value. The Earnout options are subsequently carried at fair value with changes in fair value recognized in the consolidated statements of income and comprehensive income.

b) *Deferred unit plan*

The deferred unit plan is described in Note 12(d). Deferred units granted to Trustees with respect to their Trustee fees vest immediately and are considered to be with respect to past services and are recognized as compensation expense upon grant. Deferred units granted to senior management with respect to their bonuses vest immediately and the matching deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries. Deferred units granted relating to amounts matched by the Trust are considered to be with respect to future services and are recognized as compensation expense based upon the fair value of Trust Units over the vesting period of each deferred unit.

The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units as if they instead had been issued as Trust Units on the date of grant.

The deferred units are considered to be a financial liability because there is a contractual obligation for the Trust to deliver Trust Units upon conversion of the deferred units. As a result of this obligation, the deferred units are exchangeable into a liability (the Trust Units are a liability by definition), and accordingly, the deferred units are also considered to be a liability.

The deferred units are measured at fair value using the market price of the Trust Units on each reporting date with changes in fair value recognized in the consolidated statements of income and comprehensive income as additional compensation expense over their vesting period and as a gain or loss on financial instruments once vested. The additional deferred units are recorded in the consolidated statements of income and comprehensive income as compensation expense over their vesting period and as interest expense once vested.

2.14 Revenue recognition

a) *Rental revenues*

Rentals from investment properties include rents from tenants under leases, property tax and operating cost recoveries, percentage participation rents, lease cancellation fees, parking income and incidental income. Rents from tenants may include free rent periods and rental increases over the term of the lease and are recognized in revenue on a straight-line basis over the term of the lease. The difference between revenue recognized and the cash received is included in other assets as straight-line rent receivable. Lease incentives provided to tenants are deferred and are amortized against revenue over the term of the lease. Recoveries from tenants are recognized as revenue in the period in which the applicable costs are incurred. Percentage participation rents are recognized after the minimum sales level has been achieved with each lease. Lease cancellation fees are recognized as revenue once an agreement is completed with the tenant to terminate the lease and the collectibility is reasonably assured.

b) *Service and other revenues*

The Trust provides asset and property management services to co-owners, partners and third parties for which it earns market-based construction, development and other fees. These fees are recognized as the service or activity is performed. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

c) *Interest income*

Interest income is recognized as interest accrues using the effective interest method. When a loan and receivable are impaired, the Trust reduces the carrying amount to its recoverable amount, which is the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognized using the original effective interest rate.

2.15 Tenant receivables

The Trust determines that impairment exists when there is objective evidence that the Trust will not be able to collect all amounts due. Significant financial difficulties, bankruptcy or financial reorganization are considered indicators of tenant receivable impairment. The carrying amount of tenant receivables is reduced through the use of an allowance account and a loss is recorded in the consolidated statements of income and comprehensive income within "Property operating costs." When a tenant receivable is uncollectible, it is written off against the allowance for doubtful accounts for tenant receivables. Subsequent recoveries of tenant receivables previously written off are credited against "Property operating costs" in the consolidated statements of income and comprehensive income.

2.16 Current and deferred income tax

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. In accordance with the Declaration of Trust, distributions to Unitholders are declared at the discretion of the Trustees. The Trust endeavours to declare distributions in each taxation year in such an amount as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Tax Act.

The Trust qualifies for the REIT Exemption under the specified investment flow-through (SIFT) trust rules for accounting purposes. The Trust considers the tax deductibility of the Trust's distributions to Unitholders to represent, in substance, an exemption from current tax so long as the Trust continues to expect to distribute all of its taxable income and taxable capital gains to its Unitholders. Accordingly, the Trust will not recognize any current tax or deferred income tax assets or liabilities on temporary differences in the Trust.

2.17 Distributions

Distributions are recognized as a deduction from retained earnings for the Trust Units and the LP Units classified as equity, and as interest expense for the LP Units classified as a liability and vested deferred units, in the Trust's consolidated financial statements in the period in which the distributions are approved (Note 15).

2.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Trust has determined that its chief operating decision maker is the chief executive officer (CEO).

2.19 Critical judgements in applying accounting policies

The following are the critical judgements that have been made in applying the Trust's accounting policies and that have the most significant effect on the amounts recorded or disclosed in the consolidated financial statements:

a) *Investment properties*

The Trust's accounting policies relating to investment properties are described in Note 2.4. In applying these policies, judgement is applied in determining whether certain costs are additions to the carrying amount of an investment property and, for properties under development, identifying the point at which substantial completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

The Trust also applies judgement in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. The Trust considers all the properties it has acquired to date to be asset acquisitions.

Earnout options, as described in Note 2.13, are exercisable upon completion and rental of additional space on acquired properties. Judgement is applied in determining whether Earnout options are considered to be contingent consideration relating to the acquisition of the acquired properties or additional cost of services during the construction period. The Trust considers the Earnout options it has issued to date to represent contingent considerations relating to the acquisitions.

The valuation of the investment properties is the main area of judgement exercised by the Trust. Investment property is stated at fair value. Gains and losses arising from changes in the fair values are included in the consolidated statements of income and comprehensive income in the period in which they arise.

The Trust endeavours to obtain external valuations of approximately 15–20% (by value) of the portfolio annually carried out by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institute of Chartered Surveyors. Properties are rotated annually to ensure that approximately 50% (by value) of the portfolio is appraised externally over a three-year period. Management internally values the remainder of the portfolio utilizing external data where applicable. Judgement is applied in determining the extent and frequency of independent appraisals.

b) *Investment in associates*
The Trust's policy for its investment in associates is described in Note 2.3. Management has assessed the level of influence that the Trust has on the Vaughan Metropolitan Centre ("VMC") and determined that it has significant influence based on its decision-making authority with regards to the operating, financing and investing activities of VMC as specified in the contractual terms of the arrangement. Consequently, this investment has been classified as an associate.

c) *Joint arrangements*
The Trust's policy for its joint arrangements is described in Note 2.2. In applying this policy, the Trust makes judgements with respect to whether the Trust has joint control and whether the arrangements are joint operations or joint ventures.

d) *Intangible assets and goodwill*
The Trust's policy for intangible assets and goodwill is described in Note 2.6. In applying this policy, the Trust makes judgements with respect to the amortization period relating to the joint venture relationships and trademarks that have finite useful lives, while also reviewing for impairment when an indication of impairment exists. In addition, on an annual basis or more frequently if there are any indications of impairment, the Trust evaluates whether goodwill may be impaired by determining whether the recoverable amount is less than then carrying amount for the smallest identified cash-generating unit.

e) *Classifications of Units as liabilities and equity*
The Trust's accounting policies relating to the classification of Units as liabilities and equity are described in Note 2.9. The critical judgements inherent in these policies relate to applying the criteria set out in IAS 32, "Financial Instruments Presentation", relating to the Puttable Instrument Exemption.

f) *Leases*
The Trust's policy for revenue recognition on investment properties is described in Note 2.14. In applying this policy, the Trust makes judgements with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property or incentives resulting in an adjustment to revenue.

The Trust also makes judgements in determining whether certain leases, in particular long-term ground leases where the Trust is the lessee and the property meets the definition of investment property, are operating or finance leases. The Trust has elected to treat all long-term ground leases where the Trust is the lessee as finance leases. All tenant leases where the Trust is a lessor have been determined to be operating leases.

g) *Income taxes*
The Trust is taxed as a mutual fund trust for Canadian income tax purposes and qualifies for the REIT Exemption under the SIFT Rules for tax purposes. The Trust endeavours to declare distributions in each taxation year in such an amount as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Tax Act.

The Trust considers the tax deductibility of its distributions to Unitholders to represent, in substance, an exemption from current tax so long as the Trust continues to expect to distribute all of its taxable income and taxable capital gains to its Unitholders. Accordingly, the Trust will not recognize any current tax or deferred income tax assets or liabilities on temporary differences in the Trust.

2.20 Critical accounting estimates and assumptions
The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

The estimates and assumptions that are critical to the determination of the amounts reported in the consolidated financial statements relate to the following:

a) *Fair value of investment property*
The fair value of investment properties and properties under development is dependent on stabilized or forecasted net operating income and capitalization rates applicable to those assets. The review of stabilized or forecasted net operating income is based on the location, type and quality of the properties and involves assumptions of current market rents for similar properties, adjusted for estimated vacancy rates and estimated maintenance costs. Capitalization rates are based on the location, size and quality of the properties and take into account market data at the valuation date. These assumptions may not ultimately be achieved.

The critical estimates and assumptions underlying the valuation of investment properties are set out in Note 4.

b) *Fair value of financial instruments*
The critical estimates and assumptions underlying the valuation of financial instruments are set out in Note 13.

c) *Impairment of mortgages and loans receivable and amounts receivable*
The critical estimates and assumptions underlying the valuation of mortgages and loans receivable and amounts receivable are set out in Notes 5 and 9, respectively.

d) *Impairment of intangible assets and goodwill*
The critical estimates and assumptions underlying the valuation of intangible assets are set out in Note 8. See Note 2.19(d) for a discussion on the Trust's application of accounting estimates as well as evaluation of impairment.

2.21 Future Accounting and Reporting Changes

IAS 1 was amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. IAS 1 is effective for years beginning on or after January 1, 2016.

IFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities and introduced new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. Following the changes approved by the IASB in July 2014, the new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in earlier recognition of credit losses. The Trust has not yet assessed how its own hedging arrangements and impairment provisions would be affected by the new rules. IFRS 9 must be applied for financial years commencing on or after January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption phases was only permitted for annual reporting periods beginning before February 2015. After that date, the new rules must be adopted in their entirety. The Trust has yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

IFRS 15, "Revenue from Contracts with Customers", is a new standard that establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, although earlier application is permitted. This standard supersedes IFRS 11 "Constructions Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue – Barter Transactions Involving Advertising Services". The reasons for issuing this new standard include: (a) remove inconsistencies and weaknesses in previous revenue requirements; (b) provide a more robust framework for addressing revenue issues; (c) improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets; (d) provide more useful information to users of financial statements through improved disclosure requirements; and (e) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer.

IFRS 16, "Leases" is a new standard that sets out the principles for the recognition, measurement and disclosure of leases. This new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessors, IFRS 16 carries forward the lessor accounting requirements in IAS 17, with enhanced disclosure requirements that will provide information to the users of financial statements about a lessor's risk exposure, particularly to residual value risk. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, although earlier application is permitted for entities that apply IFRS 15. This standard supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives", and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Trust is in the process of evaluating the impact of these standards, however, the Trust does not expect that these amendments will result in a material impact to the consolidated financial statements.

3. Acquisitions and Earnouts

Acquisitions and Earnouts completed during the year ended December 31, 2015

a) On February 11, 2015, the Trust completed the acquisition of a property in Barrie, Ontario, from an unrelated party, totalling 104,909 square feet of leasable area. The total purchase price of this acquisition was $25,300, which included $18,691 paid in cash, the assumption of a ground lease accounted for as a finance lease obligation with a net present value of $6,362, adjusted for costs of acquisition and other working capital amounts.

b) On May 28, 2015, the Trust completed a transaction to acquire the Penguin platform from Penguin for a total of $55,131 (see Note 8).

c) Also on May 28, 2015, the Trust completed a transaction to acquire a group of freehold interests in 21 properties and a leasehold interest in another property from Penguin and other vendors for a total of $1,116,023. The property interests include:
   - 100% interest in 13 properties co-owned by Penguin and Wal-Mart Canada Realty Inc.
   - A 40% interest in one additional property owned by Penguin
   - Three properties where the Trust acquired a 100% interest in properties co-owned by Penguin and other vendors
   - Three properties where the Trust acquired a 50% interest in properties previously co-owned by the Trust and Penguin, effectively giving the Trust 100% ownership in these properties
   - An additional 25% interest in the Montreal Premium Outlets owned by Penguin, which will increase the interest of the Trust to 50% in that property
   - A 100% leasehold interest in a property co-owned by Penguin and another vendor.

   The 22 properties comprise 3,436,379 net square feet of leasable area and include land with potential future development of 1,635,132 square feet at the Trust's share. In connection with the acquisition, the Trust entered into long-term development management agreements with Penguin on six of the properties with total development area of 213,799 square feet at the Trust's

share. The remaining properties are either fully developed (two properties), or will be developed by the Trust (13 properties) and the Montreal Premium Outlet, which will have future development that will be completed by the Trust's partner Simon Property Group.

The purchase price including both the Penguin platform (see (b) above) and the group of properties totalled $1,171,154, adjusted for costs of acquisition and working capital amounts. The purchase price was satisfied by the assumption of existing mortgages and development loans of $636,843, the issuance of 8,015,500 subscription receipts at a price of $28.70 totalling $230,045 (not including a fair value adjustment at closing of $240), the issuance of 6,068,898 Class B and D LP units with a value of $174,177 (see Note 14(a)(ii) for a description of the Class B and D LP units) to Penguin and other vendors at a unit price of $28.70, the issuance of 1,170,000 new Earnout options (see Note 12(b)) to Penguin and other vendors, and the balance in cash, adjusted for other working capital amounts. The Class B and D LP Units were valued at a price of $28.70 per Unit, consistent with the market price of the subscription receipts. The Earnout options were valued at their estimated fair market value of $nil based on an exercise price that is equivalent to the market price of the Trust Units at the time of the Earnout event.

d) On July 30, 2015, the Trust completed the acquisition of a 100% interest in a property in Maple Ridge, British Columbia, from a third party, totalling 227,000 square feet of leasable area. The total purchase price of this acquisition including adjustments on closing was $59,406, which was funded by existing cash.

e) As part of the transaction noted in c) above, on September 25, 2015, the Trust completed the acquisition of a 60% interest in a development property in Orleans, Ontario, from Wal-Mart Canada Realty Inc., totalling 132,154 square feet of potential future development. The remaining 40% is owned by Penguin. The total purchase price of this acquisition was $8,843, which was satisfied by the assumption of a mortgage of $8,660, adjusted for costs of acquisition and other working capital amounts.

f) As part of the transaction noted in c) above, on December 7, 2015, the Trust completed the acquisition of a 100% interest in a property in Jonquière, Quebec, from Wal-Mart Canada Realty Inc. and Penguin, totalling 170,274 square feet of leasable area. The total purchase price of this acquisition including adjustments on closing was $8,965, which was funded by existing cash.

g) During the year ended December 31, 2015, pursuant to development management agreements referred to in Note 4(b)(i), the Trust completed the purchase of Earnouts totalling 43,850 square feet of development space from Penguin for $14,085. The purchase price was satisfied through the issuance of 179,766 Class B LP Units, Class B LP III Units and Class B LP IV Units totalling $4,646 and the balance paid in cash, adjusted for other working capital amounts.

Consideration for the acquisitions and Earnouts completed during the year ended December 31, 2015 is summarized as follows:

	Property Acquisitions	Penguin Platform Acquisition (Note 8)	Earnouts	Total
Cash	**390,232**	**55,679**	**4,085**	**449,996**
LP Units issued	**174,177**	**–**	**4,646**	**178,823**
Finance lease obligation	**6,362**	**–**	**–**	**6,362**
Mortgages assumed	**645,503**	**–**	**–**	**645,503**
Adjustment for other working capital amounts	**2,263**	**(548)**	**5,354**	**7,069**
	1,218,537	**55,131**	**14,085**	**1,287,753**

The Earnouts in the above table do not include the cost of previously acquired freehold land in the amount of $347.

Acquisitions and Earnouts completed during the year ended December 31, 2014

a) On September 10, 2014, the Trust completed the acquisition of two properties in Edmonton, Alberta and Lachenaie, Quebec from a joint venture between Penguin and Walmart Canada Realty Inc., totalling 601,884 square feet of leased area and included lands with potential for future development of approximately 112,000 square feet. The properties are held as a 50:50 co-ownership with a third party partner. The total purchase price of this acquisition was $126,176. In connection with the acquisitions, the Trust and co-owner entered into long-term development management agreements with Penguin.

The Trust's share of the purchase price of $63,088 was satisfied by the issuance of 354,000 Class B Series 7 LP III Units with a value of $9,285 (see Note 14(a)(iv) for a description of Class B LP III Units) to Penguin, the issuance of 450,000 new Earnout options (see Note 12(b)) to Penguin, and the balance in cash, adjusted for other working capital amounts. The Class B Series 7 LP III Units were valued at a price of $26.23 per Unit, which approximates the market value of Trust Units on the date of closing. The Earnout options were valued at their estimated fair market value of $nil based on an exercise price that is equivalent to the market price of the Trust Units at the time of the Earnout event.

b) On December 17, 2014, the Trust completed the acquisition of a property in Penticton, British Columbia, totalling 54,916 square feet of leased area. The total purchase price of this acquisition was $17,832. The purchase price was paid in cash, adjusted for costs of acquisition and other working capital amounts.

c) During the year ended December 31, 2014, pursuant to development management agreements referred to in Note 4(b)(i), the Trust completed the purchase of Earnouts totalling 79,731 square feet of development space from Penguin for $19,647. The purchase price was satisfied through the issuance of 216,533 Trust Units, 101,484 Class B LP Units and 40,978 Class B LP III Units for a combined consideration of $6,963 and the balance paid in cash, adjusted for other working capital amounts.

Consideration for the acquisitions and Earnouts completed during the year ended December 31, 2014 is summarized as follows:

	Acquisitions	Earnouts	Total
Cash	71,285	10,630	81,915
Trust Units issued	–	3,475	3,475
Class B LP and LP III Units issued	9,285	3,488	12,773
Adjustment for other working capital amounts	350	2,054	2,404
	80,920	19,647	100,567

The Earnouts in the above table do not include the cost of previously acquired freehold land in the amount of $1,764.

4. Investment properties

	2015			2014		
(in thousands of dollars)	**Income Properties**	**Properties Under Development**	**Total**	Income Properties	Properties Under Development	Total
Balance – beginning of year	**6,430,034**	**266,453**	**6,696,487**	6,333,668	282,172	6,615,840
Additions:						
Acquisition of investment properties	**969,252**	**249,285**	**1,218,537**	80,820	100	80,920
Transfer to income properties from properties under development	**120,495**	**(120,495)**	**–**	60,580	(60,580)	–
Earnout Fees on the properties subject to development management agreements (Note 4(b))	**7,836**	**–**	**7,836**	7,173	–	7,173
Additions to investment properties	**10,547**	**50,880**	**61,427**	9,095	72,337	81,432
Transfer from income properties to properties under development	**(116,902)**	**116,902**	**–**	(17,674)	17,674	–
Dispositions	**–**	**(875)**	**(875)**	(107,889)	(6,447)	(114,336)
Fair value gains (losses)	**50,701**	**(17,866)**	**32,835**	64,261	(38,803)	25,458
Balance – end of year	**7,471,963**	**544,284**	**8,016,247**	6,430,034	266,453	6,696,487

The cost of income properties and properties under development as at December 31, 2015 totalled $6,175,439 (December 31, 2014 – $5,178,094) and $622,704 (December 31, 2014 – $342,130), respectively.

Secured debt with a carrying value of $2,637,579 (December 31, 2014 – $1,695,095) is secured by investment properties with a fair value of $5,563,247 (December 31, 2014 – $4,253,387).

Presented separately from investment properties is $80,786 (December 31, 2014 – $74,907) of net straight-line rent receivables and tenant incentives (these amounts are included in Other assets – see Note 7) arising from the recognition of rental revenues on a straight-line basis over the respective lease terms. The fair value of investment properties has been reduced by these amounts which are presented separately.

Valuation methodology and processes

Investment properties carried at fair value are categorized by level according to the significance of the inputs used in making the measurements. As the fair value of investment properties is determined with significant unobservable inputs, all investment properties are classified as Level 3 assets.

The Trust's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers (December 31, 2014 – nil) in or out of Level 3 fair value measurements for investment properties during the year.

The Trust's internal valuation team consists of individuals who are knowledgeable and have recent experience in the fair value techniques for investment properties. The Trust's valuation team is responsible for determining the fair value of investment properties every quarter, which includes co-owned properties and a property classified as investment in associates. The team reports directly to a senior executive and the internal valuation team's valuation processes and results are reviewed by management at least once every quarter, in line with the Trust's quarterly reporting dates.

The Trust has also engaged leading independent national real estate appraisal firms with representation and expertise across Canada to provide appraisals on approximately 15–20% of its portfolio by value annually starting in the first quarter of 2014. Properties are rotated annually to ensure that at least 50% of the portfolio by value is appraised externally over a three-year period. These external valuations take place as of either June 30 or December 31 each year. On a quarterly basis, for properties that are not valued externally, the appraisals are updated by the Trust's internal valuation team for current leasing and market assumptions, utilizing market capitalization rates as provided by the independent valuations firms. The externally appraised properties reflect a representative sample of the Trust's portfolio and such appraisals and valuation metrics are then applied to the entire portfolio by the Trust's internal valuation team.

From January 1, 2013 to December 31, 2015, the Trust has had approximately 78% (by value) or 67% (by number of properties) of its operating portfolio appraised externally. For all investment properties, their current use equates to the highest and best use.

At each external valuation date, the internal valuation team:

- verifies all major inputs to the independent valuation report;
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent appraiser.

Changes in fair values are analyzed at each reporting date during the quarterly valuation discussions between the senior management team and the internal valuation team. As part of this discussion, the internal valuation team presents a report that explains the reasons for the fair value movements.

Valuation techniques underlying management's estimation of fair value

Income properties that are freehold properties, with a total carrying amount of $6,436,025, were valued using the direct income capitalization method. In applying the direct income capitalization method, the stabilized net operating income ("NOI") of each property is divided by an overall capitalization rate. The significant unobservable inputs include:

Stabilized net operating income:

based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions after expiry of any current lease and expected maintenance costs.

Capitalization rate:

based on location, size and quality of the properties and taking into account market data at the valuation date.

Income properties that are leasehold interests with purchase options, with a total carrying value of $797,552, were valued using the direct income capitalization method as described above, adjusted for the present value of the purchase options. The significant unobservable inputs, in addition to stabilized net operating income and capitalization rate described above, include the discount rate used to present value the contractual purchase option, which is based on the location, type and quality of each property.

Income properties that are leasehold interests with no purchase options, with a total carrying value of $238,386, were valued by present valuing the remaining income stream of the properties. The significant unobservable inputs include:

Remaining income stream:

based on the location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on current and expected future market conditions and expected maintenance costs.

Discount rate:

based on market data at the valuation date, adjusted for property-specific risks dependent on the location, size and quality of the properties.

Properties under development with a total carrying amount of $481,351 were valued using the direct income capitalization method less any construction costs to complete development and Earnout fees, if any. The significant unobservable inputs include:

Forecasted net operating income:

based on the location, type and quality of the properties and supported by the terms of actual or anticipated future leases, other contracts or external evidence such as current market rents for similar properties, adjusted for estimated vacancy rates based on expected future market conditions and estimated maintenance costs, which are consistent with internal budgets, based on management's experience and knowledge of market conditions.

Earnout Fee:

based on estimated net operating rents divided by predetermined negotiated capitalization rates, less associated land and development costs incurred by the Trust.

Costs to complete:

derived from internal budgets, based on management's experience and knowledge of market conditions.

Completion date:

properties under development require approval or permits from oversight bodies at various points in the development process, including approval or permits with respect to initial design, zoning, commissioning and compliance with environmental regulations. Based on management's experience with similar developments, all relevant permits and approvals are expected to be obtained. However, the completion date of the development may vary depending on, among other factors, the timeliness of obtaining approvals, construction delays, weather and any remedial action required by the Trust.

Properties under development with a total carrying amount of $62,933 were valued by comparing to recent sales of properties of similar types, locations and quality. The significant unobservable input is adjustments due to characteristics specific to each property that could cause the fair value to differ from the property to which it is being compared.

There were no changes to the valuation techniques during the year.

Significant unobservable inputs in Level 3 valuations are as follows:

		2015			2014		
Class	Valuation Technique	**Total Stabilized or Forecasted NOI**	**Range of Capitalization or Discount Rates**	**Weighted Average Capitalization or Discount Rate**	Total Stabilized or Forecasted NOI	Range of Capitalization or Discount Rates	Weighted Average Capitalization or Discount Rate
Income properties	Direct income capitalization	**382,300**	**5.25–7.90%**	**5.94%**	330,665	5.50–7.60%	5.98%
	Direct income capitalization less present value of purchase option	**51,602**	**6.25–7.00%**	**6.47%**	42,704	6.25–7.00%	6.53%
	Discounted cash flow	**N/A**	**6.25–6.63%**	**6.36%**	N/A	6.25–6.63%	6.36%
Properties under development	Direct income capitalization	**32,636**	**5.85–8.23%**	**6.78%**	15,062	5.60–8.23%	7.00%
	Sales comparison	**N/A**	**N/A**	**N/A**	N/A	N/A	N/A

Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted NOI, among other inputs as described above. Generally, an increase in NOI will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties. The capitalization rate magnifies the effect of a change in NOI, with a lower capitalization rate resulting in a greater impact of a change in NOI than a higher capitalization rate.

The analysis below shows the maximum impact on fair values of possible changes in capitalization rates, assuming no changes in NOI:

Change in capitalization rate of	–0.50%	–0.25%	+0.25%	+0.50%
Increase (decrease) in fair value				
Income properties	664,851	317,820	(292,147)	(561,613)
Properties under development[1]	38,324	18,428	(17,118)	(33,060)

[1] Excludes properties that are valued by comparing to recent sales of similar properties because these properties are not affected by capitalization rates.

Disposition of investment properties during the year ended December 31, 2015

On April 15 2015, the Trust sold a parcel of land to an unrelated party for gross proceeds of $875 excluding closing costs of $33, which was satisfied by cash, adjusted for other working capital amounts.

Disposition of investment properties during the year ended December 31, 2014

On June 27, 2014, the Trust sold an income property in Richmond, British Columbia to an unrelated party for gross proceeds of $6,433, excluding closing costs of $39, which was satisfied by cash, adjusted for other working capital amounts.

On October 30, 2014, the Trust sold seven investment properties to Retrocom Real Estate Investment Trust (now known as "OneREIT"), for gross proceeds of $111,070 excluding closing costs of $736, which was satisfied by the assumption of secured debt totalling $35,649, loans receivable of $40,314 and the balance paid in cash, adjusted for other working capital amounts. The loans receivable have a term of two years and bear interest at 5.75% during the first year and 6.75% during the second year. Mitchell Goldhar, owner of Penguin, has a 25% voting interest of OneREIT.

On November 10, 2014, the Trust sold a parcel of land to an unrelated party for gross proceeds of $320 excluding closing costs of $12, which was satisfied by cash, adjusted for other working capital amounts.

a) *Leasehold property interests*

At December 31, 2015, 16 (December 31, 2014 – 14) investment properties with a fair value of $1,035,938 (December 31, 2014 – $900,522) are leasehold property interests accounted for as finance leases.

i) *Leasehold property interests without bargain purchase options*
Three of the leasehold interests commenced in 2005 under the terms of 35-year leases with Penguin. Penguin has the right to terminate the leases after 10 years on payment to the Trust of the fair value of a 35-year leasehold interest in the properties at that time and also has the right to terminate the leases at any time in the event any third party acquires 20% of the aggregate of the Trust Units and Special Voting Units by payment to the Trust of the unamortized balance of any prepaid lease cost. The Trust does not have a purchase option under these three leases.

Ten of the leasehold interests commenced in 2006 through 2009, of which four are under the terms of 80-year leases with Penguin and six are under the terms of 49-year leases with Penguin. The Trust has separate options to purchase each of these 10 leasehold interests at the end of the respective leases at prices that are not considered to be bargain prices.

A new leasehold interest commenced in 2015, which was part of the acquisition of one of the 22 properties discussed in Note 3, under the terms of a 49-year lease with Penguin. The Trust has an option to purchase this leasehold interest at the end of the lease term at a price that is not considered to be a bargain price.

The Trust prepaid its entire lease obligations for these 14 leasehold interests in the amount of $875,796 (December 31, 2014 – $756,764), including prepaid land rent of $227,400 (December 31, 2014 – $186,596). On the completion and rental of additional space during the year ended December 31, 2015, the Trust prepaid its entire lease obligations relating to build-out costs of $119,032 (December 31, 2014 – $1,748).

ii) *Leasehold property interests with bargain purchase options*
One leasehold interest commenced in 2003 under the terms of a 35-year lease with Penguin. The lease requires a $10,000 payment at the end of the lease term in 2038 to exercise a purchase option, which is considered to be a bargain purchase option. The Trust prepaid its entire lease obligation for this property of $57,994 (December 31, 2014 – $57,924). On the completion and rental of additional space during the year ended December 31, 2015, the Trust prepaid its lease obligations relating to build-out costs of $70 (December 31, 2014 – $7,663). The purchase option price has been included in accounts payable, net of imputed interest at 9.18% of $8,761 (December 31, 2014 – $8,869), in the amount of $1,239 (December 31, 2014 – $1,131) (see Note 11).

A second leasehold interest was acquired on February 11, 2015 from a third party and includes a land lease that expires on September 1, 2054. The land lease requires monthly payments ranging from $400 to $600 annually until September 1, 2054, and a $6,000 payment between September 1, 2023 and September 1, 2025 to exercise a purchase option that is considered to be a bargain purchase option. As the Trust intends to exercise the purchase option on September 1, 2023, the purchase option price and the monthly payments up to September 1, 2023 have been included in accounts payable, net of imputed interest at 6.25% of $2,954, in the amount of $6,350 (see Note 11).

b) *Properties under development*
Properties under development consist of the following:

	2015	2014
Properties under development subject to development management agreements (i)	**85,632**	82,263
Properties under development not subject to development management agreements (ii)	**458,652**	184,190
	544,284	266,453

For the year ended December 31, 2015, the Trust capitalized a total of $17,444 (year ended December 31, 2014 – $12,024) of borrowing costs related to properties under development.

i) *Properties under development subject to development management agreements*
These properties under development (including certain leasehold property interests) are subject to various development management agreements with Penguin, Wal-Mart Canada Realty Inc. and Hopewell Development Corporation (Hopewell) – a company in which a Trustee is an officer.

In certain events, the developer may sell a portion of undeveloped land to accommodate the construction plan that provides the best use of the property, reimbursing the Trust its costs related to such portion and, in some cases, a profit based on a pre-negotiated formula. Pursuant to the development management agreements, the vendors assume responsibility for managing the development of the land on behalf of the Trust and are granted the right for a period of up to 10 years to earn an Earnout Fee. On completion and rental of additional space on these properties, the Trust is obligated to pay the Earnout Fee and to purchase the additional developments, at a total price calculated by a formula using the net operating rents and predetermined negotiated capitalization rates, on the date rent becomes payable on the additional space (Gross Cost). The Earnout Fee is calculated as the Gross Cost less the associated land and development costs incurred by the Trust.

For additional space completed on land with a fair value of $32,550 (December 31, 2014 – $26,282), the fixed predetermined negotiated capitalization rates range from 5.71% to 8.23% during the five-year period of the respective development management agreements. For additional space completed on land with a fair value of $53,082 (December 31, 2014 – $55,981), the predetermined negotiated capitalization rates are fixed for each contract for either the first one, two, three, four

or five years, ranging from 5.60% to 8.00%, and then are determined by reference to the 10-year Government of Canada bond rate at the time of completion plus a fixed predetermined negotiated spread ranging from 2.00% to 3.90% for the remaining term of the 10-year period of the respective development management agreements subject to a maximum capitalization rate ranging from 6.60% to 9.50% and a minimum capitalization rate ranging from 5.75% to 7.50%.

For certain of these properties under development, Penguin and other unrelated parties have been granted Earnout options that give them the right, at their option, to invest up to 40% of the Earnout Fee for one of the agreements and up to 30% to 40% of the Gross Cost for the remaining agreements in Trust Units, Class B and D LP Units, Class B and D LP III Units, Class B LP IV Units, Class B and D Oshawa South LP Units, and Class B and D Oshawa Taunton LP Units, at predetermined option strike prices subject to a maximum number of units (Note 12(b)).

For the year ended December 31, 2015, the Trust completed 43,850 square feet (year ended December 31, 2014 – 78,089 square feet) of retail space.

The Earnout options that Penguin elected to exercise during the years ended December 31, 2015 and December 31, 2014 resulted in proceeds as follows:

	2015	2014
Trust Units (Note 12(b))	**–**	3,475
Class B LP Units (Note 12(b))	**1,334**	2,406
Class B LP III Units (Note 12(b))	**2,872**	1,082
Class B LP IV Units (Note 12(b))	**440**	–
	4,646	6,963

The development costs incurred (exclusive of cost of land previously acquired) and Earnout Fees paid to vendors relating to the completed retail spaces that have been reclassified to income properties during the years ended December 31, 2015 and December 31, 2014 are as follows:

	2015	2014
Development costs incurred	**7,141**	16,361
Earnout Fees	**7,836**	7,173
	14,977	23,534

Certain vendors have provided interest bearing loans to finance additional costs of development and non-interest bearing loans for the initial land acquisition costs.

ii) Properties under development not subject to development management agreements
These properties under development are being developed directly by the Trust. Penguin and the other vendors had been granted Earnout options that gave them the right, at their option, to acquire Class B Series 1 LP Units, at predetermined option strike prices, on the completion and rental by the Trust of additional space on certain of these properties under development, subject to a maximum number of units (Note 12(b)). These Earnout options expired effective July 1, 2015.

During the year ended December 31, 2015, the Trust completed the development and leasing of certain income properties on properties under development not subject to development management agreements. The following presents the carrying value of properties, which has been reclassified from properties under development to income properties and the Earnout options exercised on the completion and rental of additional space.

	2015	2014
Land and development costs incurred	**113,007**	42,455
Issuance of Class B Series 1 LP Units (Note 12(b))	**–**	2,320

For the year ended December 31, 2015, nil (December 31, 2014 – 115,441) Class B Series 1 LP Units were issued on exercise of Earnout options relating to the completion and rental of additional space.

5. Mortgages and loans receivable

Mortgages and loans receivable consist of the following:

	2015	2014
Mortgages receivable (a)	**127,333**	137,110
Loans receivable (b)	**64,528**	54,742
	191,861	191,852
Current	**48,362**	7,701
Non-current	**143,499**	184,151
	191,861	191,852

a) Mortgages receivable of $127,333 (December 31, 2014 – $137,110) have been provided pursuant to agreements with Penguin in which the Trust will lend up to $278,897 (December 31, 2014 – $316,435) for use in acquiring and/or developing nine (December 31, 2014 – 11) properties across Ontario, Quebec and British Columbia.

Interest on these mortgages accrues monthly at a variable rate based on the banker's acceptance rate plus 1.75% to 2.00% (December 31, 2014 – 1.75% to 2.00%) on mortgages receivable of $26,712 (December 31, 2014 – $25,508) and at a fixed rate of 6.75% to 7.50% (December 31, 2014 – 6.35% to 7.75%) on mortgages receivable of $100,621 (December 31, 2014 – $111,602) and is added to the outstanding principal up to a predetermined maximum accrual after which it is payable in cash monthly or quarterly. The interest rate on mortgages receivable of $18,275 will be reset in 2018 to the four-year Government of Canada bond rate plus 4%, subject to a lower limit of 6.75% and an upper limit of 7.75%. As at December 31, 2015, the interest rate on five mortgages receivable of $93,387 has been reset to interest rates ranging from 6.75% to 7.00%. There are three mortgages receivable with an outstanding balance of $15,671 where the interest rate does not reset. A further $74,701 (December 31, 2014 – $87,116) may be accrued on certain of the various mortgages receivable before cash interest must be paid. The principal and unpaid interest amounts are due at the maturity of the mortgages at various dates between 2016 and 2022. The mortgage security includes a first or second charge on properties, assignments of rents and leases, and general security agreements. In addition, $107,654 (December 31, 2014 – $111,188) of the outstanding balance is guaranteed by Penguin Properties Inc., one of Penguin's companies. The loans are subject to individual loan guarantee agreements that provide additional guarantees for all interest and principal advanced on extension amounts as described below for all nine loans. The guarantees decrease on achievement of certain specified value-enhancing events. All mortgages receivable are considered by management to be fully collectible.

The following illustrates the interest accrued and repayments for the years ended December 31:

	2015	2014
Interest accrued	**8,085**	8,983
Repayments	**(17,862)**	(37,444)
	(9,777)	(28,461)

The following provides further details on the mortgages receivable:

- For mortgages totalling $93,387 (December 31, 2014 – $104,366), the Trust has an option to acquire a 50% interest in the five properties (December 31, 2014 – six) on substantial completion at an agreed-upon formula using the net operating rents and a capitalization rate based on the 10-year Government of Canada bond rate at the time of completion plus a fixed predetermined negotiated spread ranging from 2.55% to 3.25% (December 31, 2014 – 2.55% to 3.25%) within a specified range as follows: should the capitalization rate exceed the upper limit ranging from 7.75% to 8.50%, the owner is not obligated to sell, with one exception, where the owner is obligated to sell, as there is no upper limit; should the capitalization rate be less than the lower limit, then the lower limit ranging from 6.50% to 7.00% is deemed to be the capitalization rate, with one exception, where no lower limit exists.

- The Trust has two (December 31, 2014 – two) agreements to loan Penguin up to $23,264 and $27,077 (December 31, 2014 – $23,264 and $27,077), maturing in October 2017 and December 2020, respectively, for Penguin to use in acquiring and developing two properties in which the Trust has the other 50% co-ownership interest. The Trust has advanced $15,671 and $18,275, respectively, on these mortgages as at December 31, 2015 (December 31, 2014 – $14,996 and $17,748, respectively).

- The Trust has two (December 31, 2014 – three) agreements to loan Penguin its share of future investments in two projects of $18,262 (December 31, 2014 – $18,262) and $5,721 (December 31, 2014 – $5,721) at an interest rate of 7.50% for a 10-year term maturing in December 2022 and a nine-year term maturing in December 2022, respectively, secured by a first charge on Penguin's interest in the property and a guarantee by Penguin. Based on the two agreements (December 31, 2014 – three), $11,689 (December 31, 2014 – $20,495) is available as advances in cash and $12,294 (December 31, 2014 – $14,716) in additional accrued interest. No amounts have been drawn on these two agreements as at December 31, 2015 (December 31, 2014 – $nil).

- During the year, the Trust received partial payments of $10,000 on four mortgages receivable with existing commitments of $169,766, and full repayment of $7,862 on one mortgage receivable with no further commitments.

b) Loans receivable as at December 31, 2015 of $64,528 (December 31, 2014 – $54,742) comprise the following:

- Notes receivable of $2,928 (December 31, 2014 – $2,928) have been granted to Penguin. These secured demand notes bear interest at 9.00% per annum. During the year ended December 31, 2015, $nil (year ended December 31, 2014 – $10 was advanced) was advanced or repaid.

- Loan receivable of $11,500 (December 31, 2014 – $11,500) has been provided pursuant to an agreement with an unrelated party. The loan bears interest at 4.50%, matures in 2018 and is secured by either a first or second charge on properties, assignments of rents and leases and general security agreements. During the year ended December 31, 2015, $nil (year ended December 31, 2014 – $nil) was advanced or repaid.

- Loan receivable of $40,314 (December 31, 2014 – $40,314) has been provided pursuant to an agreement with OneREIT. The loan matures at October 30, 2016, is secured by a subordinate charge on seven properties, bears interest at 5.75% during the first year and 6.75% during the second year, and is repayable before the maturity date without penalty.

- Loan receivable of $9,786 (December 31, 2014 – $nil) has been provided pursuant to a development management agreement with Penguin with a total loan facility of $20,000. The loan bears interest at 10 basis points plus the lower of: i) the Canadian prime rate plus 45 basis points or ii) the Canadian Dealer Offer Rate ("CDOR") plus 145 basis points. The loan facility matures in 2020, however repayment of the pro-rata share of the outstanding loan amount is due upon the completion of each Earnout event.

The estimated fair values of the mortgages, loans and notes receivable based on their respective current market rates – with similar terms and risks – are disclosed in Note 13.

6. Investment in associates

In 2012, the Trust entered into the Penguin-Calloway Vaughan Partnership ("PCV Partnership") with Penguin to develop the Vaughan Metropolitan Centre ("VMC"), which is expected to consist of approximately 6.0 million square feet in total on 53 acres of development land in Vaughan, Ontario. The Trust has determined it has significant influence over the investment and, accordingly, has accounted for its investment using the equity method of accounting. Should there be any proposed activity that could cause the Trust to violate its REIT status as certain developments may be prohibited under the SIFT Rules and other circumstances, the Trust has an option to put certain portions of its interest in the arrangement at fair value to Penguin and may be required to provide financing to Penguin.

The following summarizes key components relating to the Trust's investment in associates:

	2015	2014
Investment – beginning of year	**100,179**	77,538
Contributions	**6,350**	18,180
Earnings	**1,597**	5,226
Distributions received	**(578)**	(765)
Investment – end of year	**107,548**	100,179

The following summarizes the assets and liabilities of VMC and the Trust's share of net assets:

	2015	2014
Non-current assets	**304,644**	209,800
Cash and cash equivalents	**1,357**	1,982
Other current assets	**193**	61
Total assets	**306,194**	211,843
Non-current liabilities	**65,411**	2,842
Current liabilities	**25,688**	8,643
Total liabilities	**91,099**	11,485
Net assets	**215,095**	200,358
Trust's share of net assets (50%)	**107,548**	100,179

The following summarizes the income and expenses of VMC and the Trust's share of earnings:

	2015	2014
Net rental income		
Rentals from investment properties	**3,340**	3,516
Property operating costs	**(1,290)**	(1,210)
Net rental income	**2,050**	2,306
Other income and expenses		
Fair value gain on revaluation of investment properties	**3,101**	8,252
Fair value loss on interest rate swap agreements	**(1,873)**	–
Interest expense	**(87)**	(110)
Interest income	**2**	4
Net income and comprehensive income	**3,193**	10,452
Trust's share of earnings (50%)	**1,597**	5,226

The PCV Partnership has entered into various development construction contracts with existing commitments totalling $33,846, of which the Trust's share is $16,923.

On January 19, 2015, the PCV Partnership completed development financing of $189,000, of which the Trust's share is 50%, which bears an interest rate of banker's acceptance rates plus 1.40%, is secured by a first charge over the property and matures on January 16, 2019. On February 27, 2015, the Trust entered into an agreement to fix the banker's acceptance rate at 1.48%, which resulted in a fixed effective interest rate of 2.88% locked for the term and extended the loan maturity date to January 16, 2020. The financing comprises pre-development, construction and letters of credit facilities. The obligations of the credit facilities are joint and several to each of the VMC general partners. The following illustrates the Trust's share of the amount drawn on the development facility:

	2015	2014
Development facility	**189,000**	–
Amount drawn on development facility	**(63,200)**	–
Letters of credit – outstanding	**(6,373)**	–
Remaining unused development facility	**119,427**	–
Trust's share of amount drawn on development facility (50%)	**31,600**	–

7. Other assets

The components of other assets are as follows:

	2015	2014
Straight-line rent receivables	**44,816**	42,666
Tenant incentives	**35,970**	32,241
Equipment (a)	**2,482**	1,635
	83,268	76,542

(a) Equipment

	2015			2014		
(in thousands of dollars)	**Cost**	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Office furniture and fixtures	**1,243**	**115**	**1,128**	119	110	9
Computer hardware	**215**	**76**	**139**	81	31	50
Computer software	**2,773**	**1,558**	**1,215**	2,735	1,159	1,576
	4,231	**1,749**	**2,482**	2,935	1,300	1,635

During the year ended December 31, 2015, the total additions to equipment amounted to $1,412 (year ended December 31, 2014 – $28), $1,213 of which related to the acquisition of the Penguin platform (see Note 8). The total amortization expense recognized in the year ended December 31, 2015 amounted to $565 (year ended December 31, 2014 – $443).

8. Intangible assets

On May 28, 2015, the Trust completed the acquisition of the Penguin platform which included substantially all Penguin employees who are involved in the acquisition, development, design, construction and leasing of current and future shopping centres for a total purchase price of $55,131, which was allocated as follows: $36,944 to key joint venture relationships, $2,995 to trademarks, $1,213 to office furniture and fixtures (Note 7) and the residual value of $13,979 to goodwill. The remaining useful life for intangible assets with finite lives expires in 2045 (representing 30 years from the acquisition date).

The components of intangible assets are as follows:

		2015	
	Additions During Year	Amortization	Carrying Value
Intangible assets with finite lives:			
Key joint venture relationships	36,944	(732)	36,212
Trademarks	2,995	(60)	2,935
Total intangible assets with finite lives	39,939	(792)	39,147
Goodwill	13,979	–	13,979
Total intangible assets	**53,918**	**(792)**	**53,126**

The revenues ("Service and other revenues") of $9,006, expenses ("Other expenses") of $8,974 and transaction costs ("Acquisition costs") of $1,018, related to the platform acquisition are recorded in the consolidated statements of income and comprehensive income for the year ended December 31, 2015 (year ended December 31, 2014 – $nil).

9. Amounts receivable, prepaid expenses and deferred financing costs

The components of amounts receivable, prepaid expenses and deferred financing costs are as follows:

	2015	2014
Amounts receivable		
Tenant receivables – net of allowance	**9,942**	5,250
Other tenant receivables	**10,955**	8,672
Other receivables	**4,131**	1,251
	25,028	15,173
Prepaid expenses and deposits	**5,982**	6,025
Deferred financing costs	**607**	893
	31,617	22,091

Tenant receivables

The reconciliation of changes in the allowance for bad debts on tenant receivables is as follows:

	2015	2014
Balance – beginning of year	**2,949**	2,669
Additional allowance recognized as expense	**2,349**	929
Reversal of previous allowances	**(454)**	(258)
Net additional allowance	**1,895**	671
Tenant receivables written off during the year	**(352)**	(391)
Balance – end of year	**4,492**	2,949

The total additional allowance of $1,895 (December 31, 2014 – additional allowance of $671) net of reversals of previous allowances of $454 (December 31, 2014 – $258) relates to allowances for specific tenant receivable impairments. Amounts written off totalling $352 (December 31, 2014 – $391) relate to uncollectible amounts from specific tenants that have vacated their premises or where there is a settlement of a specific amount.

Tenant receivables representing contractual rental payments from tenants are due at the beginning of each month. Annual common area maintenance ("CAM") and property taxes are considered past due 60 days after billing. Tenant receivables less than 90 days old total $5,706 (December 31, 2014 – $1,476). The tenant receivable amounts older than 90 days totalling $4,236 (December 31, 2014 – $3,774), net of bad debt allowances of $4,492 (December 31, 2014 – $2,949), primarily pertain to CAM and property tax queries. The net amounts over 90 days old are at various stages of the collection process and are considered by management to be collectible.

Other tenant receivables
Other tenant receivables totalling $10,955 (December 31, 2014 – $8,672) pertain to unbilled CAM and property tax recoveries and charge-backs, property taxes receivable from municipalities and insurance claims. These amounts are considered current and/or collectible and are at various stages of the billing and collection process, as applicable.

Other receivables
Other receivables consist primarily of related party receivables. At December 31, 2015, other receivables are neither past due nor impaired and there are no indications as at December 31, 2015 that the debtors will not meet their payment obligations.

Prepaid expenses and deposits
Prepaid expenses and deposits consist primarily of prepaid property operating expenses and deposits relating to acquisitions and Earnouts.

Deferred financing costs
Deferred financing costs that relate to the revolving operating facility consist of the following:

	2015			2014		
(in thousands of dollars)	**Cost**	**Accumulated Amortization**	**Net**	Cost	Accumulated Amortization	Net
Deferred financing costs	**1,016**	**409**	**607**	971	78	893

Amortization of deferred financing costs is included in interest expense (Note 10(e)).

10. Debt

Debt consists of the following:

	2015	2014
Secured debt (a)	**2,637,579**	1,695,095
Revolving operating facility (b)	**10,000**	17,000
Unsecured debentures (c)	**1,142,945**	1,232,618
Convertible debentures (d)	**–**	56,987
	3,790,524	3,001,700
Current	**229,847**	427,688
Non-current	**3,560,677**	2,574,012
	3,790,524	3,001,700

a) *Secured debt*

Secured debt bears interest at a weighted average stated interest rate of 3.87% at December 31, 2015 (December 31, 2014 – 5.03%). The total includes $2,149,823 (December 31, 2014 – $1,612,987) at fixed rates and $487,756 (December 31, 2014 – $82,108) at variable interest rates based on banker's acceptance rates plus a margin. Secured debt matures at various dates between 2016 and 2031 and is secured by first or second registered mortgages over specific investment properties and properties under development and first general assignments of leases, insurance and registered chattel mortgages.

Principal repayment requirements for secured debt are as follows:

	Instalment Payments	Lump Sum Payments at Maturity	Total
2016	74,842	146,040	220,882
2017	76,144	240,274	316,418
2018	61,715	334,192	395,907
2019	56,873	337,416	394,289
2020	51,859	115,091	166,950
Thereafter	208,706	931,547	1,140,253
	530,139	2,104,560	2,634,699
Acquisition date fair value adjustment			10,506
Unamortized financing costs			(7,626)
			2,637,579

b) Revolving operating facility

As at December 31, 2015, the Trust had $10,000 (December 31, 2014 – $17,000) outstanding on its operating facility of $350,000 (December 31, 2014 – $350,000). The operating facility bears interest at a variable interest rate based on bank prime rate plus 0.45% or banker's acceptance rates plus 1.45%, and expires on September 30, 2017. The operating facility includes an accordion feature of $150,000 whereby the Trust can increase its facility amount with the lender to sustain future operations as required.

	2015	2014
Revolving operating facility	**350,000**	350,000
Lines of credit – outstanding	**(10,000)**	(17,000)
Letters of credit – outstanding	**(16,222)**	(29,749)
Remaining unused operating facility	**323,778**	303,251

c) Unsecured debentures

	Maturity Date	Annual Interest Rate	Interest Payable Dates	**2015**	2014
Series B	October 12, 2016	5.370%	October 12 and April 12	**–**	150,000
Series F	February 1, 2019	5.000%	February 1 and August 1	**100,000**	100,000
Series G	August 22, 2018	4.700%	February 22 and August 22	**90,000**	90,000
Series H	July 27, 2020	4.050%	January 27 and July 27	**150,000**	150,000
Series I	May 30, 2023	3.985%	November 30 and May 30	**200,000**	200,000
Series J	December 1, 2017	3.385%	June 1 and December 1	**150,000**	150,000
Series K	October 16, 2015	Variable rate[1]	January 16, April 16, July 16 and October 16	**–**	100,000
Series L	February 11, 2021	3.749%	February 11 and August 11	**150,000**	150,000
Series M	July 22, 2022	3.730%	January 22 and June 22	**150,000**	150,000
Series N	February 6, 2025	3.556%	February 6 and August 6	**160,000**	–
				1,150,000	1,240,000
			Less: Unamortized financing costs	**(7,055)**	(7,382)
				1,142,945	1,232,618

[1] Variable rate based on the three-month Canadian Dealer Offered Rate ("CDOR") plus 1.38% per annum.

Unsecured debenture activity for the year ended December 31, 2015:

Issuances

On February 6, 2015, the Trust issued $160,000 (net proceeds including issuance costs – $158,800) of 3.556% Series N senior unsecured debentures due on February 6, 2025, with semi-annual payments due on February 6 and August 6 each year. The proceeds were used to redeem the outstanding principal on the 5.37% Series B senior unsecured debentures totalling $150,000.

Redemptions

On March 9, 2015, the Trust redeemed $150,000 aggregate principal amount of 5.37% Series B senior unsecured debentures. In addition to paying accrued interest of $3,266, the Trust paid a yield maintenance fee of $10,810 in connection with the redemption of the 5.37% Series B senior unsecured debentures and wrote off unamortized financing costs of $212.

Maturities

On October 16, 2015, $100,000 aggregate principal amount of variable rate Series K senior unsecured debentures matured, which was settled by the Trust by existing cash and credit facilities.

Unsecured debenture activity for the year ended December 31, 2014:

Issuances

On February 11, 2014, the Trust issued $150,000 (net proceeds including issuance costs – $149,025) of 3.749% Series L senior unsecured debentures due on February 11, 2021, with semi-annual payments due on February 11 and August 11 each year. The proceeds from the sale of the debentures were used to redeem the 5.10% Series E senior unsecured debentures and the partial redemption of the 5.37% Series B senior unsecured debentures.

On July 8, 2014, the Trust issued on a private placement basis, $50,000 principal amount of Series I senior unsecured debentures. This was a reopening of this series of debentures, the original issuance of which was completed on May 30, 2013. An aggregate of $200,000 of such debentures were outstanding after giving effect to the private placement. The Trust used the net proceeds from the private placement to partially redeem $50,000 par value of its 5.37% Series B senior unsecured debentures due October 12, 2016. An aggregate of $150,000 of the 5.37% Series B senior unsecured debentures due October 12, 2016 were outstanding after giving effect to the repurchase and cancellation. In addition to paying accrued interest of $640, the Trust paid a yield maintenance fee of $4,261 on redemption of the 5.37% Series B senior unsecured debentures and wrote off unamortized financing costs of $102.

On July 22, 2014, the Trust issued $150,000 (net proceeds including issuance costs – $149,156) of 3.73% Series M senior unsecured debentures due on July 22, 2022, with semi-annual payments due on January 22 and July 22 each year.

Redemptions
On March 10, 2014, the Trust redeemed $100,000 aggregate principal amount of 5.10% Series E senior unsecured debentures. In addition to paying accrued interest of $1,341, the Trust paid a yield maintenance fee of $4,274 in connection with the redemption of the 5.10% Series E senior unsecured debentures and wrote off unamortized financing costs of $242.

On March 26, 2014, the Trust redeemed $50,000 of the $250,000 aggregate principal amount of 5.37% Series B senior unsecured debentures. In addition to paying accrued interest of $1,214, the Trust paid a yield maintenance fee of $4,832 in connection with the redemption of the 5.37% Series B senior unsecured debentures and wrote off unamortized financing costs of $113.

Dominion Bond Rating Services (DBRS) provides credit ratings of debt securities for commercial issuers that indicate the risk associated with a borrower's capabilities to fulfill its obligations. An investment grade rating must exceed "BB", with the highest rating being "AAA". The Trust's debentures are rated "BBB" with a stable trend at December 31, 2015.

d) Convertible debentures

	2015	2014
5.75% convertible unsecured subordinated debentures	**–**	57,723
Less: Unamortized financing costs	**–**	(736)
	–	56,987

On January 5, 2010, the Trust issued $60,000 of 5.75% convertible unsecured subordinated debentures ("the 5.75% convertible debentures") due on June 30, 2017. The 5.75% convertible debentures were convertible at the holder's option at any time into Trust Units at $25.75 per Unit and were not redeemable by the Trust on or prior to June 30, 2013. After June 30, 2013, but prior to June 30, 2015, the 5.75% convertible debentures were redeemable by the Trust, in whole or in part, at a price equal to the principal amount plus accrued and unpaid interest, provided the weighted average trading price of the Trust's Units for the 20 consecutive trading days, ending on the fifth trading day immediately preceding the date on which notice of redemption was given, was not less than 125% of the conversion price. On or after June 30, 2015, the 5.75% convertible debentures were redeemable by the Trust at any time. During the year ended December 31, 2015, $56,457 of the face value of the 5.75% convertible debentures (year ended December 31, 2014 – $25) was converted into Trust Units (Note 14(c)). On May 27, 2015, the Trust issued notice of redemption of the 5.75% convertible debentures with an aggregate principal amount outstanding of $55,600, to be redeemed on June 30, 2015. The debenture holders had the right until June 29, 2015 to convert their debentures into Trust Units at a conversion price of $25.75 per Unit. On June 30, 2015, the Trust redeemed the balance of the 5.75% convertible debentures for $3,312 in cash. As a result, at December 31, 2015, $nil of the face value of the 5.75% convertible debentures was outstanding (December 31, 2014 – $59,769).

e) Interest expense
Interest expense consists of the following:

	2015	2014
Interest at stated rate	**146,916**	146,120
Yield maintenance on redemption of unsecured debentures (Note 10(c))	**10,810**	13,367
Amortization of acquisition date fair value adjustments on assumed debt	**(2,828)**	(1,530)
Accretion of convertible debentures	**354**	721
Amortization of deferred financing costs	**4,339**	4,332
Distributions on vested deferred units classified as liabilities (Note 12(d))	**1,016**	1,024
Distributions on LP Units classified as liabilities (Note 15)	**796**	486
	161,403	164,520
Less: Interest capitalized to properties under development	**(17,444)**	(12,024)
	143,959	152,496

11. Accounts and other payables

Accounts and other payables that are classified as current consist of the following:

	2015	2014
Accounts payable – operations and development	**76,071**	60,004
Tenant prepaid rent, deposits and other payables	**38,921**	32,551
Accrued interest payable	**22,204**	21,549
Distributions payable	**21,187**	18,185
Realty taxes payable	**6,944**	6,741
Current portion of future land obligations (i)	**6,461**	2,594
Long Term Incentive Plan liability (ii)	**2,424**	259
	174,212	141,883

Other payables that are classified as non-current consist of the following:

	2015	2014
Non-current portion of future land obligations (i)	**10,590**	15,918
Finance lease obligations (Note 4(a)(ii))	**7,589**	1,131
	18,179	17,049

(i) The future land development obligations represent payments required to be made to Penguin for certain undeveloped lands acquired in December 2006, July 2007, September 2010 and August 2011, either on completion and rental of additional space on the undeveloped lands or, if no additional space is completed on the undeveloped lands, at the expiry of the 10-year development management agreement periods ending in 2016, 2017, 2020 and 2021. The accrued future land development obligations were initially measured at their estimated fair values using an imputed interest rate of 5.50%. For the year ended December 31, 2015, imputed interest of $993 (year ended December 31, 2014 – $1,019) was capitalized to properties under development.

(ii) The Trust has a Long Term Incentive Plan ("LTIP") that awards officers of the Trust with performance units that are linked to the long term performance of Trust Units relative to REITs comprising the S&P/TSX Capped REIT Index (the peer group). Performance units vest over a performance period of three years and are settled for cash based on the market value of Trust Units at the end of the performance period. As at December 31, 2015, the Trust has accrued $2,424 (December 31, 2014 – $259) related to the LTIP liability.

12. Other financial liabilities

The components of other financial liabilities are as follows:

	2015	2014
Class D Units (a)	**16,987**	8,491
Earnout options (b)	**3,150**	9,749
Conversion feature of convertible debentures (c)	**–**	1,783
Deferred unit plan (d)	**19,192**	20,324
Fair value of interest rate swap agreements	**188**	–
	39,517	40,347

a) Class D Units

The following represents the number of Class D Units issued and outstanding classified as other financial liabilities. The fair value measurement of the Class D Units is described in Note 13.

Total number of Class D Units

	Class D Series 1 LP Units	Class D Series 1 Oshawa South LP Units	Class D Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2014	311,022	–	–	311,022
Balance – December 31, 2014	311,022	–	–	311,022
Balance – January 1, 2015	**311,022**	**–**	**–**	**311,022**
Units issued for properties acquired (Note 3)	–	251,649	104,530	356,179
Units exchanged for Trust Units	–	–	(104,530)	(104,530)
Balance – December 31, 2015	**311,022**	**251,649**	**–**	**562,671**

Carrying value of Class D Units

	Class D Series 1 LP Units	Class D Series 1 Oshawa South LP Units	Class D Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2014	7,825	–	–	7,825
Change in carrying value	666	–	–	666
Balance – December 31, 2014	8,491	–	–	8,491
Balance – January 1, 2015	**8,491**	**–**	**–**	**8,491**
Change in carrying value	899	375	115	1,389
Units issued for properties acquired (Note 3)	–	7,222	3,000	10,222
Units exchanged for Trust Units	–	–	(3,115)	(3,115)
Balance – December 31, 2015	**9,390**	**7,597**	**–**	**16,987**

b) *Earnout options*

As part of the consideration paid for certain investment property acquisitions, the Trust has granted options in connection with the development management agreements (Note 4(b)(i)). On completion and rental of additional space on specific properties, the Earnout options vest and the holder may elect to exercise the options and receive Trust Units, Class B LP Units, Class D LP Units, Class B LP III Units, Class B LP IV Units, Class B Oshawa South LP Units, Class D Oshawa South LP Units, Class B Oshawa Taunton LP Units, Class D Oshawa Taunton LP Units and Class B Boxgrove LP Units, as applicable. Earnout options that have not vested expire at the end of the term of the corresponding development management agreement. In certain circumstances, the Trust may be required to issue additional Earnout options to Penguin. The option strike prices were based on the market price of Trust Units on the date the substantive terms were agreed on and announced. In the case of Class B LP III Units, Class B LP IV Units, Class B Oshawa South LP Units, Class D Oshawa South LP Units, Class B Oshawa Taunton LP Units, Class D Oshawa Taunton LP Units and Class B Boxgrove LP Units, the strike price is the market price of the Trust Units at the date of exchange.

The following represents the number of Units granted, expired/cancelled, exercised and outstanding and proceeds for the year ended December 31, 2015:

	Strike Price ($)	Options Outstanding at January 1, 2015 (#)	Additional Options Granted (#)	Options Expired/ Cancelled (#)	Options Exercised (#)	Options Outstanding at December 31, 2015 (#)	Proceeds During Year Ended December 31, 2015 ($)
Options to acquire Trust Units							
March 2005[1]	19.60	53,040	–	(53,040)	–	–	–
July 2005[3]	20.10	776,438	–	(776,438)	–	–	–
December 2006	29.55 to 33.55	57,344	–	–	–	57,344	–
July 2007	29.55 to 33.00	1,348,223	–	–	–	1,348,223	–
		2,235,045	–	(829,478)	–	1,405,567	–
Options to acquire Class B LP Units and Class D LP Units[2]							
July 2005 (Earnout)	20.10	1,446,915	–	–	(66,389)	1,380,526	1,334
July 2005 (Development)[3]	20.10	1,560,382	–	(1,560,382)	–	–	–
December 2006	29.55 to 30.55	2,303,267	–	–	–	2,303,267	–
July 2007	29.55 to 33.00	1,600,000	–	–	–	1,600,000	–
June 2008[4]	20.10	708,004	–	–	–	708,004	–
		7,618,568	–	(1,560,382)	(66,389)	5,991,797	1,334
Options to acquire Class B LP III Units[5,10]							
September 2010	Market price	771,974	–	(41,707)	(44,768)	685,499	967
August 2011	Market price	621,465	–	–	(8,764)	612,701	118
August 2013	Market price	621,746	–	(18,465)	–	603,281	–
September 2014	Market price	424,432	–	(49,145)	(68,145)	307,142	1,787
		2,439,617	–	(109,317)	(121,677)	2,208,623	2,872
Options to acquire Class B LP IV Units[6,10]							
May 2015	Market price	–	480,000	(201)	(15,338)	464,461	440
		–	480,000	(201)	(15,338)	464,461	440
Options to acquire Class B Oshawa South LP Units and Class D Oshawa South LP Units[7]							
May 2015	Market price	–	60,000	–	–	60,000	–
		–	60,000	–	–	60,000	–
Options to acquire Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units[8]							
May 2015	Market price	–	460,000	–	–	460,000	–
		–	460,000	–	–	460,000	–
Options to acquire Class B Boxgrove LP Units[9]							
May 2015	Market price	–	170,000	–	–	170,000	–
		–	170,000	–	–	170,000	–
Total Earnout options		12,293,230	1,170,000	(2,499,378)	(203,404)	10,760,448	4,646

1 As at March 1, 2015, all remaining options have expired and are therefore no longer exercisable.

2 Each option is represented by a corresponding Class C LP Unit or Class E LP Unit.

3 As at July 1, 2015, all remaining Earnout and development options have expired and are therefore no longer exercisable.

4 Each option is convertible into Class F Series 3 LP Units. At the holder's option, the Class F Series 3 LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 LP Units may be exchanged for Class B LP Units.

5 Each option is represented by a corresponding Class C LP III Unit.

6 Each option is represented by a corresponding Class C LP IV Unit.

7 Each option is represented by a corresponding Class C Oshawa South LP Unit or Class E Oshawa South LP Unit.

8 Each option is represented by a corresponding Class C Oshawa Taunton LP Unit or Class E Oshawa Taunton LP Unit.

9 Each option is represented by a corresponding Class C Boxgrove LP Unit.

10 During the year ended December 31, 2015, 86,475 Class C LP III Series 4 Units, 8,764 Class C LP III Series 5 Units, 18,465 Class C LP III Series 6 Units, 117,290 Class C LP III Series 7 Units and 15,539 Class C LP IV Series 1 Units, were available for conversion into Class B LP III Series 4 Units, Class B LP III Series 5 Units, Class B LP III Series 6 Units, Class B LP III Series 7 Units and Class B LP IV Series 1 Units, respectively, of which 44,768 Class C LP III Series 4 Units, 8,764 Class C LP III Series 5 Units, 68,145 Class C LP III Series 7 Units and 15,338 Class C LP IV Series 1 Units were exercised using the predetermined conversion prices, in exchange for 33,288 Class B LP III Series 4 Units, 4,052 Class B LP III Series 5 Units, 60,881 Class B LP III Series 7 Units and 15,156 Class B LP IV Series 1 Units, respectively, issued based on the market price at the time of issuance. 41,707 Class C LP III Series 4 Units, 18,465 Class C LP III Series 6 Units, 49,145 Class C LP III Series 7 Units and 201 Class C LP IV Series 1 Units were cancelled due to the price differential between the market price and fixed conversion price.

The following represents the number of Units recognized, expired/cancelled, exercised and outstanding and proceeds for the year ended December 31, 2014:

	Strike Price ($)	Options Outstanding at January 1, 2014 (#)	Additional Options Recognized (#)	Options Expired/ Cancelled (#)	Options Exercised (#)	Options Outstanding at December 31, 2014 (#)	Proceeds During Year Ended December 31, 2014 ($)
Options to acquire Trust Units							
February 2004[1]	14.00	95,452	48,334	–	(143,786)	–	2,013
May 2004	15.25	1	–	(1)	–	–	–
November 2004	17.80	91,857	–	(91,857)	–	–	–
March 2005	19.60	53,040	–	–	–	53,040	–
July 2005	20.10	849,185	–	–	(72,747)	776,438	1,462
December 2006[2]	15.25, 29.55 to 33.55	57,344	–	–	–	57,344	–
July 2007	29.55 to 33.00	1,348,223	–	–	–	1,348,223	–
		2,495,102	48,334	(91,858)	(216,533)	2,235,045	3,475
Options to acquire Class B LP Units and Class D LP Units[3]							
July 2005 (Earnout)	20.10	1,495,414	–	–	(48,499)	1,446,915	975
July 2005 (Development)	20.10	1,675,823	–	–	(115,441)	1,560,382	2,320
December 2006[2]	15.25, 29.55 to 30.55	2,356,252	–	–	(52,985)	2,303,267	1,431
July 2007	29.55 to 33.00	1,600,000	–	–	–	1,600,000	–
June 2008[4]		708,004	–	–	–	708,004	–
		7,835,493	–	–	(216,925)	7,618,568	4,726
Options to acquire Class B LP III Units[5,6]							
September 2010	Market price	771,974	–	–	–	771,974	–
August 2011	Market price	639,631	–	(14,529)	(3,637)	621,465	92
August 2013	Market price	662,000	–	(15,328)	(24,926)	621,746	641
September 2014	Market price	–	450,000	(12,274)	(13,294)	424,432	349
		2,073,605	450,000	(42,131)	(41,857)	2,439,617	1,082
Total Earnout options		12,404,200	498,334	(133,989)	(475,315)	12,293,230	9,283

1 Pursuant to agreements entered into in February 2004, Penguin was entitled to 2,500,000 options. However, at the time of issuance, it was estimated that only 1,860,000 options would be exercised based on management's best estimates. As of June 30, 2014, Penguin was entitled to an additional 48,334 options with respect to additional density created on existing Earnout properties, which were all exercised during the year. The recognition of these additional options resulted in a remeasurement of the fair value of the Earnout options in the amount of $621, which was included in the fair value change in earnings.

2 Prior to December 31, 2014, 45,233 options were exercisable at $15.25 after both a May 2004 and December 2006 Earnout occurred (for Trust or LP Units). During the year, 9,434 options were exercised at $15.25 while the remaining 35,799 options are no longer exercisable at $15.25 as there are no more May 2004 Earnouts remaining.

3 Each option is represented by a corresponding Class C LP Unit or Class E LP Unit.

4 Each option is convertible into Class F Series 3 LP Units. At the holder's option, the Class F Series 3 LP Units may be redeemed for cash at $20.10 per Unit or, on the completion and rental of additional space on certain development properties, the Class F Series 3 LP Units may be exchanged for Class B LP Units.

5 Each option is represented by a corresponding Class C LP III Unit.

6 During the year ended December 31, 2014, nil Class C LP III Series 4 Units, 18,166 Class C LP III Series 5 Units, 40,254 Class C LP III Series 6 Units and 25,568 Class C LP III Series 7 Units were available for conversion into Class B LP III Series 4 Units, Class B LP III Series 5 Units, Class B LP III Series 6 Units and Class B LP III Series 7 Units, respectively, of which nil Class C LP III Series 4 Units, 3,637 Class C LP III Series 5 Units, 24,926 Class C LP III Series 6 Units and 13,294 Class C LP III Series 7 Units were exercised using the predetermined conversion prices, in exchange for nil Class B LP III Series 4 Units, 3,707 Class B LP III Series 5 Units, 24,795 Class B LP III Series 6 Units and 12,476 Class B LP III Series 7 Units, respectively, issued based on the market price at the time of issuance. 14,529 Class C LP III Series 5 Units, 15,328 Class C LP III Series 6 Units, and 12,274 Class C LP III Series 7 Units were cancelled due to the price differential between the market price and fixed conversion price. 450,000 Class C LP III Series 7 Units were granted during the year (Note 3(a)).

The following summarizes the change in the fair value of the Earnout options:

	2015	2014
Fair value – beginning of year	**9,749**	8,222
Trust options exercised	–	(2,077)
LP options exercised[1]	**(491)**	(902)
Fair value change	**(6,108)**	4,506
Fair value – end of year	**3,150**	9,749

[1] For the year ended December 31, 2015, LP options exercised represent $491 relating to LP Units classified as equity (year ended December 31, 2014 – $902) and $nil relating to LP Units classified as other financial liabilities (year ended December 31, 2014 – $16).

c) Conversion feature of convertible debentures

The following represents the fair value of the conversion feature of the convertible debentures:

	2015	2014
Fair value – beginning of year	**1,783**	1,160
Debentures converted (Note 14(c))	**(3,062)**	(1)
Fair value change	**1,279**	624
Fair value – end of year	**–**	1,783

d) Deferred unit plan

The Trust has a deferred unit plan that entitles Trustees and senior management, at the participant's option, to receive deferred units in consideration for Trustee fees or executive bonuses with the Trust matching the number of units received. On April 16, 2015, the Trust amended the vesting schedule for Trustees which resulted in the immediate vesting of all outstanding Trustee units as well as immediate vesting of future units granted to Trustees. Any deferred units granted to senior management as part of their compensation structure effectively vest immediately and the matching deferred units vest 50% on the third anniversary and 25% on each of the fourth and fifth anniversaries, subject to provisions for earlier vesting in certain events. The deferred units earn additional deferred units for the distributions that would otherwise have been paid on the deferred units (i.e. had they instead been issued as Trust Units on the date of grant). Once vested, participants are entitled to receive an equivalent number of Trust Units for the vested deferred units and the corresponding additional deferred units.

The outstanding number of deferred units for the years ended December 31, 2015 and December 31, 2014 is summarized as follows:

	Outstanding	Vested	Non-Vested
Balance – January 1, 2014	655,343	576,246	79,097
Granted during the year	104,979	52,611	52,368
Reinvested distributions	46,053	40,194	5,859
Vested during the year	–	31,857	(31,857)
Exchanged for Trust Units	(7,000)	(7,000)	–
Redeemed for cash	(4,000)	(4,000)	–
Balance – December 31, 2014	795,375	689,908	105,467
Balance – January 1, 2015	**795,375**	**689,908**	**105,467**
Granted during the year	**85,406**	**44,768**	**40,638**
Reinvested distributions	**38,731**	**34,988**	**3,743**
Vested during the year	**–**	**94,550**	**(94,550)**
Exchanged for Trust Units	**(10,000)**	**(10,000)**	**–**
Redeemed for cash	**(242,217)**	**(242,217)**	**–**
Forfeited during the year	**(2,958)**	**–**	**(2,958)**
Balance – December 31, 2015	**664,337**	**611,997**	**52,340**

The following represents the carrying value of the deferred unit plan as at December 31, 2015 and December 31, 2014:

	2015	2014
Carrying value – beginning of year	**20,324**	15,805
Deferred units granted for Trustee fees and bonuses	**1,270**	1,340
Reinvested distributions on vested deferred units (Note 10(e))	**1,016**	1,024
Compensation expense – reinvested distributions, amortization and fair value change on unvested deferred units	**1,967**	1,002
Exchanged for Trust Units[1]	**(296)**	(179)
Redeemed for cash[2]	**(7,570)**	(106)
Fair value change – vested deferred units	**2,481**	1,438
Carrying value – end of year	**19,192**	20,324

1 During the year ended December 31, 2015, 10,000 deferred units totalling $296 were exchanged for $296 of Trust Units (year ended December 31, 2014 – 7,000 deferred units totalling $179 were exchanged for $177 of Trust Units net of payroll taxes).

2 During the year ended December 31, 2015, 242,217 deferred units totalling $7,570 were redeemed for $6,801 of cash net of payroll taxes (year ended December 31, 2014 – 4,000 deferred units totalling $106 were redeemed for $104 of cash net of payroll taxes).

13. Fair value of financial instruments

The fair value of financial instruments is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction based on the current market for assets and liabilities with the same risks, principal and remaining maturity.

The fair value of the Trust's financial instruments is summarized in the following table:

		2015		2014
	Fair Value Through Profit or Loss ("FVTPL")	**Loans Receivable/ Other Liabilities**	**Total**	Total
Financial assets				
Mortgages and loans receivable[1]	**–**	**187,582**	**187,582**	188,493
Financial liabilities				
Secured debt[2]	**–**	**2,768,215**	**2,768,215**	1,826,724
Revolving operating facility[2]	**–**	**10,000**	**10,000**	17,000
Unsecured debentures[3]	**–**	**1,194,662**	**1,194,662**	1,288,217
Long Term Incentive Plan[4]	**–**	**2,424**	**2,424**	259
Convertible debentures inclusive of conversion feature[5]	**–**	**–**	**–**	65,375
Class D Units[6]	**16,987**	**–**	**16,987**	8,491
Earnout options[7]	**3,150**	**–**	**3,150**	9,749
Deferred unit plan[8]	**19,192**	**–**	**19,192**	20,324
Fair value of interest rate swap agreements[9]	**188**	**–**	**188**	–

1 The fair values of mortgages and loans receivable are estimated based on discounted future cash flows using discounted rates that reflect current market conditions for instruments with similar terms and risks.

2 The fair values of secured debt and the revolving operating facility reflect current market conditions for instruments with similar terms and risks.

3 The fair value of unsecured debentures is based on their market price.

4 The fair value of the LTIP is based on the following factors: i) the long term performance of the Trust relative to the S&P/TSX Capped REIT Index for each grant period, ii) the market value of Trust Units at each reporting date, and iii) the total granted LTIP units under the plan including LTIP units reinvested.

5 The fair value of the conversion feature of the convertible debentures is determined using the differential approach between the market price of the convertible debentures and the present value of unsecured debentures that reflects current market conditions for instruments with similar terms and risks. The fair value of the convertible debentures is based on their market price.

6 The fair value of the Class D Units is based on the market price of the Trust Units.

7 The fair value of Earnout options is determined using the Black-Scholes option-pricing model using certain observable inputs with respect to the volatility of the underlying Trust Unit price, the risk free rate and using unobservable inputs with respect to the anticipated expected lives of the options, the number of options that will ultimately vest and the expected Trust Unit distribution rate. Generally, increases in the anticipated lives of the options, decreases in the number of options that will ultimately vest, and decreases in the expected Trust Unit distribution rate, will combine to result in a lower fair value of Earnout options.

8 The fair value of deferred units under the Deferred Unit Plan is measured at fair value using the market price of the Trust Units at each reporting date with changes in fair value recognized as additional compensation expense over their vesting period in the consolidated statements of income and comprehensive income, and as a gain or loss on financial instruments once vested. Such fair value estimates are not necessarily indicative of the amounts the Trust might pay or receive in actual market transactions.

9 The fair value of interest rate swap agreements reflects the fair value of swap agreements at each reporting date, and is driven by the difference between the fixed interest rate and CDOR.

Fair value hierarchy
The Trust values financial assets and financial liabilities carried at fair value using quoted closing market prices, where available. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical financial assets or financial liabilities. When quoted market prices are not available, the Trust maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3. Valuations at this level are more subjective and therefore more closely managed. Such testing has not indicated that any material difference would arise due to a change in input variables.

	2015			2014		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Recurring measurements:						
Financial liabilities						
Convertible debentures inclusive of conversion feature	**–**	**–**	**–**	–	1,783	–
Class D Units	**16,987**	**–**	**–**	8,491	–	–
Earnout options	**–**	**–**	**3,150**	–	–	9,749
Deferred unit plan	**–**	**19,192**	**–**	–	20,324	–
Fair value of interest rate swap agreements	**–**	**188**	**–**	–	–	–

Refer to Note 12(b) for a reconciliation of Earnout option fair value measurements.

14. Unit equity
The following presents the number of Units issued and outstanding, and the related carrying value of Unit equity, for the years ended December 31, 2015 and December 31, 2014. The LP Units are classified as non-controlling interests in the consolidated balance sheets.

	Number of Units Issued and Outstanding			Carrying Amount		
	Trust Units (#)	LP Units (#)	Total Units (#)	Trust Units ($)	LP Units ($)	Total ($)
		(Tables A to C)			(Tables D to F)	
Balance – January 1, 2014	115,722,842	18,347,291	134,070,133	2,239,123	438,995	2,678,118
Options exercised (Notes 12(b) and 4)[1]	216,533	257,903	474,436	5,552	6,710	12,262
Deferred Units exchanged for Trust Units (Note 12(d))	6,906	–	6,906	177	–	177
Distribution reinvestment plan (b)	1,097,727	–	1,097,727	28,814	–	28,814
Debentures converted (c)	970	–	970	25	–	25
Unit issuance cost	–	–	–	(87)	–	(87)
Units issued for properties acquired (Note 3)	–	354,000	354,000	–	9,285	9,285
Balance – December 31, 2014	117,044,978	18,959,194	136,004,172	2,273,604	454,990	2,728,594
Balance – January 1, 2015	**117,044,978**	**18,959,194**	**136,004,172**	**2,273,604**	**454,990**	**2,728,594**
Options exercised (Notes 12(b) and 4)[1]	**–**	**179,766**	**179,766**	**–**	**5,137**	**5,137**
Deferred Units exchanged for Trust Units (Note 12(d))	**10,000**	**–**	**10,000**	**296**	**–**	**296**
Distribution reinvestment plan (b)	**1,306,354**	**–**	**1,306,354**	**39,137**	**–**	**39,137**
Debentures converted (c)	**2,192,495**	**–**	**2,192,495**	**57,827**	**–**	**57,827**
Units issuance cost	**–**	**–**	**–**	**(4,771)**	**–**	**(4,771)**
Units issued for properties acquired (Note 3)	**–**	**5,712,719**	**5,712,719**	**–**	**163,955**	**163,955**
Units issued for cash (Note 3)	**8,015,500**	**–**	**8,015,500**	**230,285**	**–**	**230,285**
Units exchanged for Trust Units[2]	**104,530**	**–**	**104,530**	**3,115**	**–**	**3,115**
Balance – December 31, 2015	**128,673,857**	**24,851,679**	**153,525,536**	**2,599,493**	**624,082**	**3,223,575**

1 The carrying values of Trust Units and LP Units issued include the fair value of options on exercise of $nil and $491, respectively (year ended December 31, 2014 – $2,077 and $902).

2 104,530 Class D Oshawa Taunton LP Units (classified as a liability – see Note 12) amounting to $3,115 were exchanged for 104,530 Trust Units.

Table A: Number of LP Units issued and outstanding – Class B Series 1, 2 and 3 LP Units and Class B LP II Units

	Class B Series 1 LP Units	Class B Series 2 LP Units	Class B Series 3 LP Units	Class B LP II Units	Total
Balance – January 1, 2014	14,489,474	820,756	720,432	756,525	16,787,187
Options exercised (Note 12(b))	163,940	52,985	–	–	216,925
Balance – December 31, 2014	14,653,414	873,741	720,432	756,525	17,004,112
Balance – January 1, 2015	**14,653,414**	**873,741**	**720,432**	**756,525**	**17,004,112**
Options exercised (Note 12(b))	**66,389**	**–**	**–**	**–**	**66,389**
Balance – December 31, 2015	**14,719,803**	**873,741**	**720,432**	**756,525**	**17,070,501**

Table B: Number of LP Units issued and outstanding – Class B Series 4, 5, 6 and 7 LP III Units

	Class B Series 4 LP III Units	Class B Series 5 LP III Units	Class B Series 6 LP III Units	Class B Series 7 LP III Units	Total
Balance – January 1, 2014	611,467	551,637	397,000	–	1,560,104
Options exercised (Note 12(b))	–	3,707	24,795	12,476	40,978
Units issued for properties acquired (Note 3)	–	–	–	354,000	354,000
Balance – December 31, 2014	611,467	555,344	421,795	366,476	1,955,082
Balance – January 1, 2015	**611,467**	**555,344**	**421,795**	**366,476**	**1,955,082**
Options exercised (Note 12(b))	**33,288**	**4,052**	**–**	**60,881**	**98,221**
Balance – December 31, 2015	**644,755**	**559,396**	**421,795**	**427,357**	**2,053,303**

Table C: Number of LP Units issued and outstanding – Class B Series 8 LP III Units, Class B Series 1 LP IV Units, Class B Series 1 Oshawa South LP Units and Class B Series 1 Oshawa Taunton LP Units

	Class B Series 8 LP III Units	Class B Series 1 LP IV Units	Class B Series 1 Oshawa South LP Units	Class B Series 1 Oshawa Taunton LP III Units	Total
Balance – January 1, 2014	–	–	–	–	–
Balance – December 31, 2014	–	–	–	–	–
Balance – January 1, 2015	**–**	**–**	**–**	**–**	**–**
Options exercised (Note 12(b))	**–**	**15,156**	**–**	**–**	**15,156**
Units issued for properties acquired (Note 3)	**1,698,018**	**3,020,600**	**688,336**	**305,765**	**5,712,719**
Balance – December 31, 2015	**1,698,018**	**3,035,756**	**688,336**	**305,765**	**5,727,875**

Table D: Carrying value of LP Units – Class B Series 1, 2 and 3 LP Units and Class B LP II Units

	Class B Series 1 LP Units	Class B Series 2 LP Units	Class B Series 3 LP Units	Class B LP II Units	Total
Balance – January 1, 2014	341,013	23,723	16,836	17,680	399,252
Proceeds from options exercised (Note 12(b))[1]	4,096	1,532	–	–	5,628
Balance – December 31, 2014	345,109	25,255	16,836	17,680	404,880
Balance – January 1, 2015	**345,109**	**25,255**	**16,836**	**17,680**	**404,880**
Proceeds from options exercised (Note 12(b))[1]	**1,825**	**–**	**–**	**–**	**1,825**
Balance – December 31, 2015	**346,934**	**25,255**	**16,836**	**17,680**	**406,705**

1 The carrying values of LP Units issued include the fair value of options on exercise of $491 (year ended December 31, 2014 – $902).

Table E: Carrying value of LP Units – Class B Series 4, 5, 6 and 7 LP III Units

	Class B Series 4 LP III Units	Class B Series 5 LP III Units	Class B Series 6 LP III Units	Class B Series 7 LP III Units	Total
Balance – January 1, 2014	14,768	14,764	10,211	–	39,743
Proceeds from options exercised (Note 12(b))	–	92	641	349	1,082
Units issued for properties acquired (Note 3)	–	–	–	9,285	9,285
Balance – December 31, 2014	14,768	14,856	10,852	9,634	50,110
Balance – January 1, 2015	**14,768**	**14,856**	**10,852**	**9,634**	**50,110**
Proceeds from options exercised (Note 12(b))	**967**	**118**	**–**	**1,787**	**2,872**
Balance – December 31, 2015	**15,735**	**14,974**	**10,852**	**11,421**	**52,982**

Table F: Carrying value of Class B Series 8 LP III Units, Class B Series 1 LP IV Units, Class B Series 1 Oshawa South LP Units and Class B Series 1 Oshawa Taunton LP Units

	Class B Series 8 LP III Units	Class B Series 1 LP IV Units	Class B Series 1 Oshawa South LP Units	Class B Series 1 Oshawa Taunton LP Units	Total
Balance – January 1, 2014	–	–	–	–	–
Balance – December 31, 2014	–	–	–	–	–
Balance – January 1, 2015	**–**	**–**	**–**	**–**	**–**
Options exercised (Note 12(b))	**–**	**440**	**–**	**–**	**440**
Units issued for properties acquired (Note 3)	**48,732**	**86,692**	**19,755**	**8,776**	**163,955**
Balance – December 31, 2015	**48,732**	**87,132**	**19,755**	**8,776**	**164,395**

a) Authorized Units

(i) Trust Units

The Trust is authorized to issue an unlimited number of voting trust units ("Trust Units"), each of which represents an equal undivided interest in the Trust. All Trust Units outstanding from time to time are entitled to participate pro rata in any distributions by the Trust and, in the event of termination or windup of the Trust, in the net assets of the Trust. All Trust Units rank among themselves equally and rateably without discrimination, preference or priority. Unitholders are entitled to require the Trust to redeem all or any part of their Trust Units at prices determined and payable in accordance with the conditions provided for in the Declaration of Trust. A maximum amount of $50 may be redeemed in total in any one month unless otherwise waived by the Board of Trustees.

In accordance with the Declaration of Trust, distributions to Unitholders are declared at the discretion of the Trustees. The Trust endeavours to declare distributions in each taxation year in such an amount as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Income Tax Act (Canada) (the "Tax Act").

The Trust is authorized to issue an unlimited number of Special Voting Units that will be used to provide voting rights to holders of securities exchangeable, including all series of Class B LP Units, Class D LP Units, Class B LP II Units, Class B LP III Units, Class B LP IV Units, Class B Oshawa South LP Units, Class D Oshawa South LP Units, Class B Oshawa Taunton Units, Class D Oshawa Taunton Units and Class B Boxgrove LP Units, into Trust Units. Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust. Each Special Voting Unit entitles the holder to the number of votes at any meeting of Unitholders of the Trust that is equal to the number of Trust Units into which the exchangeable security is exchangeable or convertible. Special Voting Units are cancelled on the issuance of Trust Units on exercise, conversion or cancellation of the corresponding exchangeable securities. At December 31, 2015, there were 25,414,350 (December 31, 2014 – 19,270,216) Special Voting Units outstanding. There is no value assigned to the Special Voting Units. A July 2005 agreement preserved Penguin's voting rights at a minimum of 25.0% for a period of 10 years commencing on July 1, 2005, on the condition that Penguin's owner, Mitchell Goldhar, remains a Trustee of the Trust and owns at least 15,000,000 Trust Units, Class B LP and LP III Units, collectively. On May 26, 2015, the Trust extended the voting rights agreement for an additional five years. These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible to any Trust securities. The total number of Special Voting Units is adjusted for each annual meeting of the Unitholders based on changes in Penguin's ownership interest.

(ii) Smart Limited Partnership Units

Smart Limited Partnership ("LP"), formerly known as Calloway Limited Partnership, was formed on June 15, 2005, and commenced activity on July 8, 2005.

An unlimited number of any series of Class A LP Units, Class B LP Units, Class C LP Units, Class D LP Units, Class E LP Units and Class F LP Units may be issued by the LP. Class A LP partners have 20 votes for each Class A LP Unit held, Class B LP and Class D LP partners have one vote for each Class B LP Unit or Class D LP Unit held, respectively, and Class C LP, Class E LP and Class F LP partners have no votes at meetings of the LP. The LP is under the control of the Trust.

The Class A LP Units are entitled to all distributable cash of the LP after the required distributions on the other classes of Units have been paid. At December 31, 2015, there were 75,062,169 (December 31, 2014 – 63,133,698) Class A LP Units outstanding. All Class A LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP Units and the Class D LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP Units and Class D LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP Unit and Class D LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP Units and the Class D LP Units are considered to be economically equivalent to Trust Units. All Class B LP Units and Class D LP Units (owned by outside parties) have been presented as non-controlling interests and liabilities, respectively.

The Class C LP Units and Class E LP Units are entitled to receive 0.01% of any distributions of the LP and have nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific predetermined amount per Unit, the Class C Series 1 and Series 2 LP Units, the Class C Series 3 LP Units and the Class E Series 1 LP Units are exchangeable into Class B LP Units, Class F Series 3 LP Units and Class D Series 1 LP Units, respectively, and the Class E Series 2 LP Units are exchangeable into Class D Series 2 LP Units (the Class C LP Units and Class E LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to the LP, the corresponding Class C LP Units and Class E LP Units are cancelled.

Number of Class C and E Units Outstanding	**2015**	2014
Class C Series 1 LP Units	**3,471,714**	5,098,485
Class C Series 2 LP Units	**3,103,267**	3,103,267
Class C Series 3 LP Units	**708,004**	708,004
Class E Series 1 LP Units	**16,704**	16,704
Class E Series 2 LP Units	**800,000**	800,000

Of the 3,471,714 Class C Series 1 LP Units: 1,363,822 Units relate to Earnout options, 1,357,892 Units relate to expired Earnout options and 750,000 Units are cancelled concurrently with Class F Series 3 LP Units on the completion and rental of additional space on specific properties.

The Class F Series 3 LP Units are entitled to receive distributions equivalent to 65.5% of the distributions on Trust Units. At the holder's option, the Class F Series 3 LP Units are exchangeable for $20.10 in cash per Unit or on the completion and rental of additional space on specific properties, the Class F Series 3 LP Units are exchangeable into Class B LP Units. As at December 31, 2015, there were nil Class F Series 3 LP Units outstanding (December 31, 2014 – nil). On issuance, the Class F Series 3 LP Units are recorded as a liability in the consolidated financial statements.

The Class D LP Units (owned by outside parties) are considered to be a financial liability under IFRS. The Class B Series 1, Class B Series 2 and Class B Series 3 LP Units are classified as equity.

(iii) Smart Limited Partnership II Units

Smart Limited Partnership II ("LP II"), formerly known as Calloway Limited Partnership II, was formed on February 6, 2006, and commenced activity on May 29, 2006.

An unlimited number of Class A LP II Units and Class B LP II Units may be issued by LP II. Class A LP II partners have five votes for each Class A LP II Unit held, and Class B LP II partners have one vote for each Class B LP II Unit held. LP II is under the control of the Trust.

The Class A LP II Units are entitled to all distributable cash of LP II after the required distributions on the Class B LP II Units have been paid. At December 31, 2015, there were 200,002 (December 31, 2014 – 200,002) Class A LP II Units outstanding. The Class A LP II Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP II Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP II Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP II Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP II Units are considered to be economically equivalent to Trust Units. All Class B LP II Units are owned by outside parties and have been presented as non-controlling interests.

(iv) Smart Limited Partnership III Units

Smart Limited Partnership III ("LP III"), formerly known as Calloway Limited Partnership III, was formed on September 2, 2010 and commenced activity on September 13, 2010.

An unlimited number of Class A LP III Units, Class B LP III Units and Class C LP III Units may be issued by LP III. Class A LP III partners have 20 votes for each Class A LP III Unit held, Class B LP III partners have one vote for each Class B LP III Unit held and Class C LP III Units have no votes at meetings of the LP III. LP III is under the control of the Trust.

The Class A LP III Units are entitled to all distributable cash of LP III after the required distributions on the Class B LP III Units have been paid. At December 31, 2015, there were 12,556,688 (December 31, 2014 – 5,200,001) Class A LP III Units outstanding. The Class A LP III Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP III Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP III Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP III Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP III Units are considered to be economically equivalent to Trust Units. All Class B LP III Units are owned by outside parties and have been presented as non-controlling interests.

The Class C LP III Units are entitled to receive 0.01% of any distributions of LP III and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 4 LP III Units, Class C Series 5 LP III Units, Class C Series 6 LP III Units and Class C Series 7 LP III Units are exchangeable into Class B LP III Units (the Class C LP III Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to LP III, the corresponding Class C LP III Units are cancelled. At December 31, 2015, there were 2,208,623 (December 31, 2014 – 2,439,617) Class C LP III Units outstanding.

(v) Smart Limited Partnership IV Units

Smart Limited Partnership IV ("LP IV") was formed on May 28, 2015 in connection with the acquisition of 22 properties from Penguin and other vendors (Note 3) as well as the Penguin platform from Penguin (Note 8).

An unlimited number of Class A LP IV Units, Class B LP IV Units and Class C LP IV Units may be issued by LP IV. Class A LP IV partners have 20 votes for each Class A LP IV Unit held, Class B LP IV partners have one vote for each Class B LP IV Unit held and Class C LP IV Units have no votes at meetings of the LP IV. LP IV is under the control of the Trust.

The Class A LP IV Units are entitled to all distributable cash of LP IV after the required distributions on the Class B LP IV Units have been paid. At December 31, 2015, there were 102,569 (December 31, 2014 – nil) Class A LP IV Units outstanding. The Class A LP IV Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B LP IV Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B LP IV Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B LP IV Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B LP IV Units are considered to be economically equivalent to Trust Units. All Class B LP IV Units are owned by outside parties and have been presented as non-controlling interests.

The Class C LP IV Units are entitled to receive 0.01% of any distributions of LP IV and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 LP IV Units are exchangeable into Class B LP IV Units (the Class C LP IV Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to LP IV, the corresponding Class C LP IV Units are cancelled. At December 31, 2015, there were 464,461 (December 31, 2014 – nil) Class C LP IV Units outstanding.

(vi) Smart Oshawa South Limited Partnership Units

Smart Oshawa South Limited Partnership ("Oshawa South LP") was formed on May 28, 2015 in connection with the acquisition of 22 properties from Penguin and other vendors (Note 3) as well as the Penguin platform from Penguin (Note 8).

An unlimited number of Class A Oshawa South LP Units, Class B Oshawa South LP Units, Class C Oshawa South LP Units, Class D Oshawa South LP Units and Class E Oshawa South LP Units may be issued by Oshawa South LP. Class A Oshawa South LP partners have 20 votes for each Class A Oshawa South LP Unit held, Class B Oshawa South LP and Class D Oshawa South LP partners have one vote for each Class B Oshawa South LP or Class D Oshawa South LP Unit held respectively, and Class C Oshawa South LP and Class E Oshawa South LP Units have no votes at meetings of Oshawa South LP. Oshawa South LP is under the control of the Trust.

The Class A Oshawa South LP Units are entitled to all distributable cash of Oshawa South LP after the required distributions on the other classes of Units have been paid. At December 31, 2015, there were 138,680 (December 31, 2014 – nil) Class A Oshawa South LP Units outstanding. The Class A Oshawa South LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Oshawa South LP Units and Class D Oshawa South LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Oshawa South LP Units and Class D Oshawa South LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Oshawa South LP Unit and Class D Oshawa South LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Oshawa South LP Units and Class D Oshawa South LP Units are considered to be economically equivalent to Trust Units. All Class B Oshawa South LP Units and Class D Oshawa South LP Units (owned by outside parties) have been presented as non-controlling interests and liabilities, respectively.

The Class C Oshawa South LP Units and Class E Oshawa South LP Units are entitled to receive 0.01% of any distributions of Oshawa South LP and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Oshawa South LP Units and Class E Series 1 Oshawa South LP Units are exchangeable into Class B Oshawa South LP Units and Class D Oshawa South LP Units, respectively (the Class C Oshawa South LP Units and Class E Oshawa South LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Oshawa South LP, the corresponding Class C Oshawa South LP Units and Class E Oshawa South LP Units are cancelled.

Number of Class C and E Units Outstanding	**2015**	2014
Class C Series 1 Oshawa South LP Units	**45,000**	–
Class E Series 1 Oshawa South LP Units	**15,000**	–

The Class D Series 1 Oshawa South LP Units (owned by outside parties) are considered to be a financial liability under IFRS, whereas the Class B Series 1 Oshawa South LP Units are classified as equity.

(vii) Smart Oshawa Taunton Limited Partnership Units

Smart Oshawa Taunton Limited Partnership ("Oshawa Taunton LP") was formed on May 28, 2015 in connection with the acquisition of 22 properties from Penguin and other vendors (Note 3) as well as the Penguin platform from Penguin (Note 8).

An unlimited number of Class A Oshawa Taunton LP Units, Class B Oshawa Taunton LP Units, Class C Oshawa Taunton LP Units, Class D Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units may be issued by Oshawa Taunton LP. Class A Oshawa Taunton LP partners have 20 votes for each Class A Oshawa Taunton LP Unit held, Class B Oshawa Taunton LP and Class D Oshawa Taunton LP partners have one vote for each Class B Oshawa Taunton LP and Class D Oshawa Taunton LP Unit held respectively, and Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units have no votes at meetings of Oshawa Taunton LP. Oshawa Taunton LP is under the control of the Trust.

The Class A Oshawa Taunton LP Units are entitled to all distributable cash of Oshawa Taunton LP after the required distributions on the Class B Oshawa Taunton LP Units have been paid. At December 31, 2015, there were 596,225 (December 31, 2014 – nil) Class A Oshawa Taunton LP Units outstanding. The Class A Oshawa Taunton LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Oshawa Taunton LP and Class D Oshawa Taunton LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Oshawa Taunton LP Unit and Class D Oshawa Taunton LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units are considered to be economically equivalent to Trust Units. All Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units (owned by outside parties) have been presented as non-controlling interests and liabilities, respectively.

The Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are entitled to receive 0.01% of any distributions of Oshawa Taunton LP and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Oshawa Taunton LP Units and Class E Series 1 Oshawa Taunton LP Units are exchangeable into Class B Oshawa Taunton LP Units and Class D Oshawa Taunton LP Units, respectively (the Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Oshawa Taunton LP, the corresponding Class C Oshawa Taunton LP Units and Class E Oshawa Taunton LP Units are cancelled.

Number of Class C and E Units Outstanding	**2015**	2014
Class C Series 1 Oshawa Taunton LP Units	**230,000**	–
Class E Series 1 Oshawa Taunton LP Units	**230,000**	–

The Class D Series 1 Oshawa Taunton LP Units (owned by outside parties) are considered to be a financial liability under IFRS, whereas the Class B Series 1 Oshawa Taunton LP Units are classified as equity.

(viii) Smart Boxgrove Limited Partnership Units

Smart Boxgrove Limited Partnership ("Boxgrove LP") was formed on May 28, 2015 in connection with the acquisition of 22 properties from Penguin and other vendors (Note 3) as well as the Penguin platform from Penguin (Note 8).

An unlimited number of Class A Boxgrove LP Units, Class B Boxgrove LP Units and Class C Boxgrove LP Units may be issued by Boxgrove LP. Class A Boxgrove LP partners have 20 votes for each Class A Boxgrove LP Unit held, Class B Boxgrove LP partners have one vote for each Class B Boxgrove LP Unit held and Class C Boxgrove LP Units have no votes at meetings of Boxgrove LP. Boxgrove LP is under the control of the Trust.

The Class A Boxgrove LP Units are entitled to all distributable cash of Boxgrove LP after the required distributions on the Class B Boxgrove LP Units have been paid. At December 31, 2015, there were 397,438 (December 31, 2014 – nil) Class A Boxgrove LP Units outstanding. The Class A Boxgrove LP Units are owned directly by the Trust and have been eliminated on consolidation.

The Class B Boxgrove LP Units are non-transferable, except under certain limited circumstances, but are exchangeable into an equal number of Trust Units at the holder's option. Holders of Class B Boxgrove LP Units are entitled to receive distributions equivalent to the distributions on Trust Units. Each Class B Boxgrove LP Unit is entitled to one Special Voting Unit, which will entitle the holder to receive notice of, attend and vote at all meetings of the Trust. The Class B Boxgrove LP Units are considered to be economically equivalent to Trust Units. All Class B Boxgrove LP Units are owned by outside parties and have been presented as non-controlling interests. At December 31, 2015, there were nil (December 31, 2014 – nil) Class B Boxgrove LP Units outstanding.

The Class C Boxgrove LP Units are entitled to receive 0.01% of any distributions of Boxgrove LP and have a nominal value assigned in the consolidated financial statements. At the holder's option, and on the completion and rental of additional space on specific properties and payment of a specific formula amount per Unit based on the market price of Trust Units, Class C Series 1 Boxgrove LP Units are exchangeable into Class B Boxgrove LP Units (the Class C Boxgrove LP Units are effectively included in the Earnout options – see Note 12(b)). On exercise of the Earnout options relating to Boxgrove LP, the corresponding Class C Boxgrove LP Units are cancelled. At December 31, 2015, there were 170,000 (December 31, 2014 – nil) Class C Boxgrove LP Units outstanding.

b) Distribution reinvestment plan

The Trust enables holders of Trust Units to reinvest their cash distributions in additional Units of the Trust at 97% of the weighted average Unit price over the 10 trading days prior to the distribution. The 3% bonus amount is recorded as an additional distribution and issuance of units.

c) Convertible debentures

During the year ended December 31, 2015, $56,457 (year ended December 31, 2014 – $25) of the face value of the convertible debentures was converted into 2,192,495 (year ended December 31, 2014 – 970) Trust Units. The following presents the adjustments related to the conversion of convertible debentures into Trust Units.

	2015	2014
Face value of convertible debentures converted	**56,457**	25
Adjustment of conversion feature of convertible debentures on conversion (Note 12(c))	**3,062**	1
Adjustment to accretion expense on conversion	**(1,692)**	(1)
	57,827	25

15. Unit distributions

Pursuant to the Declaration of Trust, the Trust endeavours to distribute annually such amount as is necessary to ensure the Trust will not be subject to tax on its net income under Part I of the Tax Act. Unit distributions declared during the year ended December 31, 2015 and December 31, 2014 are as follows:

	2015	2014
Trust Units	**201,957**	182,747
Class B Series 1 LP Units	**23,718**	22,832
Class B Series 2 LP Units	**1,409**	1,316
Class B Series 3 LP Units	**1,162**	1,125
Class D Series 1 LP Units	**455**	486
Class B LP II Units	**1,220**	1,181
Class B Series 4 LP III Units	**1,005**	955
Class B Series 5 LP III Units	**900**	866
Class B Series 6 LP III Units	**680**	642
Class B Series 7 LP III Units	**624**	189
Class B Series 8 LP III Units	**1,833**	–
Class B Series 1 LP IV Units	**3,269**	–
Class B Series 1 Oshawa South LP Units	**743**	–
Class D Series 1 Oshawa South LP Units	**272**	–
Class B Series 1 Oshawa Taunton LP Units	**330**	–
Class D Series 1 Oshawa Taunton LP Units	**70**	–
	239,647	212,339
Distributions classified as liabilities relating to LP Units (Note 10(e))	**(796)**	(486)
Distributions recorded as acquisition costs relating to LP Units (Note 3)	**(809)**	–
Distributions relating to Units classified as equity	**238,042**	211,853

On January 31, 2016, the Trust declared distributions of $21,027 on all classes of Units, which represents $0.1375 per Unit.

16. Rentals from investment properties

Rentals from investment properties consist of the following:

	2015	2014
Gross base rent	**444,473**	403,860
Less: Amortization of tenant incentives	**(5,291)**	(4,596)
Net base rent	**439,182**	399,264
Property operating costs recovered	**217,949**	197,649
Miscellaneous revenue	**11,522**	8,881
	668,653	605,794

The future minimum base rent payments under non-cancellable operating leases expected from tenants in investment properties are as follows:

	Total
2016	456,419
2017	430,524
2018	385,602
2019	339,114
2020	295,965
Thereafter	1,205,268
	3,112,892

17. General and administrative expense

The general and administrative expense consists of the following:

	2015	2014
Salaries and benefits	**32,625**	15,030
Professional fees	**3,073**	2,847
Public company costs	**1,145**	1,223
Rent and occupancy	**1,738**	1,197
Amortization of intangible assets (Note 8)	**792**	–
Other	**4,239**	2,850
	43,612	23,147
Allocated to property operating costs	**(11,065)**	(8,592)
Capitalized to properties under development	**(4,139)**	(98)
Charged back to Penguin and third party[1]	**(8,974)**	(2,025)
	19,434	12,432

[1] The expenses charged back to Penguin and third party are recorded as "Other expenses" in the consolidated statements of income and comprehensive income for the year ended December 31, 2015 (year ended December 31, 2014 – $nil).

18. Supplemental cash flow information

Cash and cash equivalents consist of the following:

	2015	2014
Cash	**20,426**	19,346
Short-term deposits	**910**	906
	21,336	20,252

The following summarizes supplemental cash flow information and non-cash transactions:

	2015	2014
Supplemental		
Interest paid on debt	**153,943**	157,405
Interest received	**7,475**	4,324
Non-cash transactions		
Secured debt assumed for acquisitions	**645,503**	–
Adjustment for other working capital amounts	**7,069**	2,404
Loans receivable issued on sale of investment properties	**–**	40,314
Distributions payable	**21,187**	18,185
Liabilities relating to additions to investment properties	**30,114**	34,421
Value of Units issued:		
Consideration for acquisitions and Earnouts	**178,823**	16,248
Distribution reinvestment plan	**39,137**	28,814
Conversion of convertible debentures	**56,457**	25
Units exchanged for Trust Units (Note 14)	**3,115**	–

Changes in other non-cash operating items

Changes in other non-cash operating items consist of the following:

	2015	2014
Amounts receivable and prepaid expenses	**(17,854)**	(4,846)
Accounts payable and accrued liabilities	**22,998**	(7,802)
	5,144	(12,648)

19. Related party transactions

Transactions with related parties are conducted in the normal course of operations and have been recorded at amounts agreed on by the parties.

At December 31, 2015, Penguin (the Trust's largest Unitholder), owned by Mitchell Goldhar, owned the following Units, which represent in total approximately 22.6% of the issued and outstanding Units:

Type	Class and Series	**2015**	2014
Trust Units	n/a	**13,732,800**	13,732,800
Smart Limited Partnership	Class B Series 1	**12,462,443**	12,396,054
Smart Limited Partnership	Class B Series 2	**291,232**	291,232
Smart Limited Partnership	Class B Series 3	**720,432**	720,432
Smart Limited Partnership III	Class B Series 4	**644,755**	611,467
Smart Limited Partnership III	Class B Series 5	**559,396**	555,344
Smart Limited Partnership III	Class B Series 6	**421,795**	421,795
Smart Limited Partnership III	Class B Series 7	**427,357**	366,476
Smart Limited Partnership III	Class B Series 8	**1,698,018**	–
Smart Limited Partnership IV	Class B Series 1	**2,887,012**	–
Smart Oshawa South Limited Partnership	Class B Series 1	**688,336**	–
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**305,765**	–
		34,839,341	29,095,600

Certain conditions related to the Declaration of Trust require the Trust to issue such number of additional Special Voting Units to Penguin which will entitle Penguin to cast 25.0% of the aggregate votes eligible to be cast at a meeting of the Unitholders and Special Voting Unitholders ("Voting Top-Up Right"). At December 31, 2015, there were 4,285,399 additional Special Voting Units outstanding (December 31, 2014 – 7,125,655). These Special Voting Units are not entitled to any interest or share in the distributions or net assets of the Trust; nor are they convertible into any Trust securities. There is no value assigned to the Special Voting Units. As a result of the extension for an additional five years of the existing Voting Top-Up Right in favour of Penguin, which was approved by Unitholders at the Trust's most recent Unitholder meeting, at the request of the TSX, the Trust also redesignated its trust units as "Variable Voting Units". Such designation will cease on the termination of the Voting-Top Up Right in 2020. The Voting Top-Up Right is more particularly described in the Trust's management information circular dated April 27, 2015 and filed on the System for Electronic Document Analysis and Retrieval ("SEDAR").

Penguin has Earnout options to acquire certain Units as follows:

Type	Class and Series	**2015**	2014
Trust Units	n/a	**1,353,225**	2,182,703
Smart Limited Partnership	Class B Series 1	**1,363,822**	2,990,593
Smart Limited Partnership	Class B Series 2	**3,103,267**	3,103,267
Smart Limited Partnership	Class B Series 3	**708,004**	708,004
Smart Limited Partnership III	Class B Series 4	**685,499**	771,974
Smart Limited Partnership III	Class B Series 5	**612,701**	621,465
Smart Limited Partnership III	Class B Series 6	**603,281**	621,746
Smart Limited Partnership III	Class B Series 7	**307,142**	424,432
Smart Limited Partnership IV	Class B Series 1	**437,051**	–
Smart Oshawa South Limited Partnership	Class B Series 1	**45,000**	–
Smart Oshawa Taunton Limited Partnership	Class B Series 1	**230,000**	–
Smart Boxgrove Limited Partnership	Class B Series 1	**170,000**	–
		9,618,992	11,424,184

At December 31, 2015, its ownership would increase to 27.0% (December 31, 2014 – 27.2%) if Penguin were to exercise all remaining Earnout options. Pursuant to its rights under the Declaration of Trust, at December 31, 2015, Penguin has appointed two Trustees out of seven.

The other non-controlling interest, which is included in equity, represents a 5.0% equity interest by Penguin in five consolidated investment properties.

In connection with the acquisition of the Penguin platform as well as interests in 22 properties from Penguin and other vendors, on May 28, 2015, the original management, services and trademark agreements, have been replaced by the following:

1) The Development and Services Agreement, under which the Trust has agreed to provide to Penguin the following services for a five-year term:

   a. Construction management services and leasing services are provided, at the discretion of Penguin, with respect to certain of Penguin's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of Penguin, are based on various rates that approximate market rates, depending on the term and nature of the lease. In addition, management fees are provided for a market-based fee based on rental revenue.

   b. Transition services relate to activities necessary to become familiar with the Penguin projects and establishing processes and systems to accommodate the needs of Penguin.

   c. Support services are provided for a fee based on an allocation of the relevant costs of the support services incurred by the Trust. Such relevant costs include: office administration, human resources, information technology, insurance, legal and marketing. In addition, the Trust rents its office premises from Penguin for a term ending May 2025.

2) The Service Agreement under which Mitchell Goldhar, owner of Penguin, has agreed to provide to the Trust certain advisory, consulting, and strategic services, including but not limited to strategies dealing with development, municipal approvals, acquisitions, dispositions, and construction costs, as well as strategies for marketing new projects and leasing opportunities. The fees associated with this agreement are $875 per quarter for a five-year term.

In addition to agreements and contracts with Penguin described elsewhere in these consolidated financial statements, the Trust had previously entered into the following agreements with Penguin, which were effective until May 27, 2015:

1) The Management Agreement, under which the Trust had agreed to provide to Penguin certain limited property management services for a market-based fee based on net rental revenues of the managed properties, for a one-year term ending December 31, 2015. The Management Agreement automatically renewed for subsequent one-year terms unless terminated by either Penguin or the Trust.

2) The Support Services Agreement, under which Penguin had agreed to provide to the Trust certain support services for a fee based on an allocation of the relevant costs of the support services incurred by Penguin for a one-year term ending December 31, 2015. The Support Services Agreement automatically renewed for subsequent one-year terms unless terminated by either Penguin or the Trust. In addition, the Trust rented its office premises from Penguin for a term of five years to December 2016.

3) The Construction and Leasing Services Agreement, under which Penguin had agreed to provide to the Trust construction management services and leasing services. The construction management services were provided, at the discretion of the Trust, with respect to certain of the Trust's properties under development for a market-based fee based on construction costs incurred. Fees for leasing services, requested at the discretion of the Trust, were based on various rates that approximate market rates, depending on the term and nature of the lease. The agreement was in force until terminated by either Penguin or the Trust.

4) The Trademark Licence Agreement and Marketing Cost Sharing Agreement (collectively, the Licence Agreement), under which the Trust licensed the use of the trademark "SmartCentres" from Penguin for a 10-year term ending December 31, 2016. Under the Licence Agreement, the Trust would pay 50% of the costs incurred by Penguin in connection with branding and marketing the trademark together with the Trust's proportionate share of signage costs. Penguin had the right to terminate the Licence Agreement at any time in the event any third party acquired 20.0% of the aggregate of the Trust Units and Special Voting Units.

In addition to related party transactions and balances disclosed elsewhere in these consolidated financial statements, the following summarizes other related party transactions and balances with Penguin and other related parties, including the Trust's share of amounts relating to VMC:

(in thousands of dollars)	**2015**	2014
Related party transactions and balances with Penguin		
For the year ended December 31:		
Revenues:		
Transition fee revenue	**2,409**	–
Management fee revenue pursuant to the Management Agreement	**4,659**	1,275
Support services	**507**	–
Interest income from mortgages and loans receivable	**8,372**	9,246
Head lease rents and operating cost recoveries included in rentals from income properties	**2,324**	1,444
Expenses:		
Master planning services:		
Included in general and administrative expenses	**517**	–
Capitalized to properties under and held for development	**1,550**	–
Development fees and costs (capitalized to real estate assets)	**3,156**	5,335
Interest expense (capitalized to properties under development)	**29**	103
Opportunity fees capitalized to properties under development	**2,184**	2,063
Rent and operating costs (included in general and administrative expenses and in property operating costs)	**1,565**	1,197
Legal and other administrative services (included in general and administrative expenses and in property operating costs)	**1,196**	1,649
Marketing cost sharing (included in property operating costs)	**432**	501
As at December 31:		
Receivables:		
Amounts receivable, prepaid and deposits	**3,899**	1,609
Opportunity fees (capitalized to properties under development)	**185**	208
Payables:		
Accounts payable and accrued liabilities	**1,538**	1,620
Future land development obligation	**17,051**	18,512
Secured debt	**5,175**	4,993

Key management and Trustees' compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. The Trust's key management personnel include the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Development Officer, and Executive Vice President Portfolio Management and Investments. In addition, the Trustees have oversight responsibility for the Trust.

The compensation paid or payable to key management and Trustees is shown below:

	2015	2014
Salaries and other short-term employee benefits	**2,080**	1,564
Trustee fees	**610**	536
Deferred unit plan	**1,900**	1,931
Long Term Incentive Plan expense	**2,165**	259
	6,755	4,290

20. Co-ownership interests

The Trust is a co-owner in several properties that are subject to joint control based on the Trust's decision-making authority with regard to the operating, financing and investing activities of the properties. These co-ownerships have been classified as joint operations and, accordingly, the Trust recognizes its proportionate share of the assets, liabilities, revenue and expenses of these co-ownerships in the respective lines in the consolidated financial statements.

			Trust's Ownership	
Jointly Controlled Asset	Location	Property Type	**2015**	2014
Aurora North[1]	Aurora, ON	Shopping centre	**100.0%**	50.0%
Richmond Hill	Richmond Hill, ON	Shopping centre	**50.0%**	50.0%
Chatham	Chatham, ON	Shopping centre	**50.0%**	50.0%
Montreal (Decarie)	Montreal, QC	Shopping centre	**50.0%**	50.0%
Hull	Hull, QC	Shopping centre	**49.9%**	49.9%
Innisfil	Innisfil, ON	Development	**50.0%**	50.0%
London North	London, ON	Shopping centre	**50.0%**	50.0%
Milton	Milton, ON	Shopping centre	**50.0%**	50.0%
Oshawa South[1]	Oshawa, ON	Shopping centre	**100.0%**	50.0%
Salmon Arm	Salmon Arm, BC	Shopping centre	**50.0%**	50.0%
Ottawa South	Ottawa, ON	Shopping centre	**50.0%**	50.0%
401 & Weston	Toronto, ON	Shopping centre	**44.4%**	44.4%
Woodbridge	Woodbridge, ON	Shopping centre	**50.0%**	50.0%
Markham (Woodside)	Markham, ON	Shopping centre	**50.0%**	50.0%
Mississauga (Go Land)[1]	Mississauga, ON	Shopping centre	**100.0%**	50.0%
Eastern Ave.	Toronto, ON	Development	**50.0%**	50.0%
Halton Hills	Halton, ON	Shopping centre	**50.0%**	50.0%
Montreal Premium Outlets	Mirabel, QC	Development	**50.0%**	25.0%
Mirabel Adjacent Lands	Mirabel, QC	Development	**33.0%**	33.3%
Mirabel Option Lands	Mirabel, QC	Development	**25.0%**	25.0%
Ottawa Laurentian	Ottawa, ON	Shopping centre	**50.0%**	50.0%
Edmonton Capilano	Edmonton, AB	Shopping centre	**50.0%**	50.0%
Lachenaie	Lachenaie, QC	Shopping centre	**50.0%**	50.0%
Markham (Boxgrove)	Markham, ON	Shopping centre	**40.0%**	0.0%
Orleans (II Front Land)	Orleans, Ontario	Development	**60.0%**	0.0%

[1] On May 28, 2015, the Trust acquired an additional 50% interest in these properties as part of the transaction discussed in Note 3(c).

The following amounts, included in these consolidated financial statements, represent the Trust's proportionate share of the assets and liabilities of the 23 co-ownership interests as at December 31, 2015 (23 co-ownership interests at December 31, 2014) and the results of operations and cash flows for the years ended December 31, 2015 and December 31, 2014:

	2015	2014
Assets	**1,004,635**	988,232
Liabilities	**376,666**	382,982

	2015	2014
Revenues	**80,968**	74,735
Expenses	**43,485**	42,988
Income before fair value adjustments	**37,483**	31,747
Fair value gain on investment properties	**63,257**	13,192
Net income	**100,740**	44,939
Cash flow provided by operating activities	**31,469**	14,131
Cash flow provided by financing activities	**104,239**	72,332
Cash flow used in investing activities	**(134,390)**	(84,040)

Management believes the assets of the co-ownerships are sufficient for the purpose of satisfying the associated obligations of the co-ownerships. Penguin is the co-owner in one of the operating properties and four of the development properties.

21. Segmented information

The Trust owns, develops, manages and operates investment properties located in Canada. In measuring performance, the Trust does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes.

The Trust's major tenant is Walmart Canada Corp., accounting for 26.9% of the Trust's annualized rental revenue for the year ended December 31, 2015 (year ended December 31, 2014 – 24.1%).

22. Fair value gain (loss)

The following is a summary of the fair value gain (loss) for the year ended December 31:

	2015	2014
Investment properties		
Income properties	**50,701**	64,261
Properties under development	**(17,866)**	(38,803)
Fair value gain on revaluation of investment properties	**32,835**	25,458
Financial instruments		
Class D Units	**(1,389)**	(666)
Earnout options	**6,108**	(4,506)
Conversion feature of convertible debentures	**(1,279)**	(624)
Deferred unit plan – vested portion	**(2,481)**	(1,438)
Unit issuance of subscription receipts[1]	**(240)**	–
Fair value of interest rate swap agreements	**(188)**	–
Fair value gain (loss) on financial instruments	**531**	(7,234)

1 In connection with the acquisition of the Penguin platform and group of property interests (see Note 3(c)), part of the purchase price included the issuance of 8,015,500 subscription receipts at a price of $28.70 totalling $230,045 on April 20, 2015. Once the acquisition closed on May 28, 2015, the subscription receipts were exchanged for Trust Units and therefore the Trust performed a fair valuation of the subscription receipts from the date of issuance to the date the acquisition closed, which resulted in a fair value loss for the year ended December 31, 2015 of $240 (year ended December 31, 2014 – $nil).

23. Risk management

a) Financial risks

The Trust's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Trust's overall financial risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Trust's financial performance. The Trust may use derivative financial instruments to hedge certain risk exposures.

i) Interest rate risk

The majority of the Trust's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. At December 31, 2015, approximately 13.13% (December 31, 2014 – 6.63%) of the Trust's debt is financed at variable rates exposing the Trust to changes in interest rates on such debt.

The Trust analyzes its interest rate exposure on a regular basis. From time to time, the Trust may enter into fixed-for-floating interest rate swaps as part of its strategy for managing certain interest rate risks. The Trust has recognized the change in fair value associated with interest rate swap agreements in the consolidated statements of income and comprehensive income.

The Trust monitors the historical movement of 10-year Government of Canada bonds for the past two years and performs a sensitivity analysis to show the possible impact on net income of an interest rate shift. The simulation is performed on a quarterly basis to ensure the maximum loss potential is within the limit acceptable to management. Management runs the simulation only for the interest-bearing secured debt and revolving operating facility. The Trust's policy is to capitalize interest expense incurred relating to properties under development (year ended December 31, 2015 – 10.81% of total interest costs; year ended December 31, 2014 – 7.31% of total interest costs). The sensitivity analysis below shows the maximum impact (net of estimated interest capitalized to properties under development) on net income of possible changes in interest rates on variable-rate debt.

Interest shift of:	–0.50%	–0.25%	+0.25%	+0.50%
Net income increase (decrease)	2,489	1,244	(1,244)	(2,489)

ii) Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures with respect to tenant receivables and mortgages and loans receivable (see Notes 9 and 5). Tenants may experience financial difficulty and become unable to fulfill their lease commitments. The Trust mitigates this risk of credit loss by reviewing tenants' covenants, by ensuring its tenant mix is diversified and by limiting its exposure to any one tenant except Walmart Canada Corp. Further risks arise in the event that borrowers of mortgages and loans receivable default on the repayment of amounts owing to the Trust. The Trust endeavours to ensure adequate

security has been provided in support of mortgages and loans receivable. The Trust limits cash transactions to high credit quality financial institutions to minimize its credit risk from cash and cash equivalents.

iii) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to lease out vacant units. Due to the dynamic nature of the underlying business, the Trust aims to maintain flexibility and opportunities in funding by keeping committed credit lines available, obtaining additional secured debt as the value of investment properties increases, issuing equity and issuing convertible or unsecured debentures. The key assumptions used in the Trust's estimates of future cash flows when assessing liquidity risk are capital markets remaining liquid and no major bankruptcies of large tenants. Management believes it has considered all reasonable facts and circumstances in forming appropriate assumptions. However, as always, there is a risk that significant changes in market conditions could alter the assumptions used. The Trust's liquidity position is monitored on a regular basis by management. A schedule of principal repayments on secured debt and other debt maturities is disclosed in Note 10.

b) Capital risk management

The Trust defines capital as the aggregate amount of Unitholders' equity, debt and LP Units classified as a liability. The Trust's primary objectives when managing capital are:

- to safeguard the Trust's ability to continue as a going concern, so that it can continue to provide returns for Unitholders; and
- to ensure that the Trust has access to sufficient funds for acquisition (including Earnout) or development activities.

The Trust sets the amount of capital in proportion to risk. The Trust manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Trust may adjust the amount of distributions paid to Unitholders, issue new Units and debt or sell assets to reduce debt or fund acquisition or development activities.

The Trust anticipates meeting all current and future obligations. Management expects to finance future acquisitions, mortgages receivable, development and maturing debt from: (i) existing cash balances; (ii) a mix of debt secured by investment properties, operating facilities, issuance of equity, convertible and unsecured debentures; and (iii) the sale of non-core assets. Cash flow generated from operating activities is the source of liquidity to service debt (except maturing debt), sustaining capital expenditures, leasing costs and Unit distributions.

The Trust monitors its capital structure based on the following ratios: interest coverage ratio, debt to total assets, and debt to total earnings before interest, taxes, depreciation, amortization (EBITDA) and fair value changes associated with investment properties and financial instruments. These ratios are used by the Trust to manage an acceptable level of leverage and are not considered measures in accordance with IFRS; nor are there equivalent IFRS measures.

The following are the significant financial covenants that the Trust is required by its operating line lenders to maintain:

Ratio	Threshold
Debt to aggregate assets	65%
Secured debt to aggregate assets	40%
Fixed charge coverage ratio	1.5X
Unencumbered assets to unsecured debt	1.4X
Unitholders' equity (in thousands)	$2,000,000

The Trust's indentures require its unsecured debentures to maintain debt to gross book value including convertible debentures not more than 65%, interest coverage ratio not less than 1.65 and Unitholders' equity not less than $500,000.

These covenants are required to be calculated based on Canadian generally accepted accounting principles ("GAAP") at the time of debt issuance. If the Trust does not meet all externally imposed financial covenants, then the related debt will become immediately due and payable unless the Trust is able to remedy the default or obtain a waiver from lenders. For the year ended December 31, 2015, the Trust was in compliance with all externally imposed financial covenants.

24. Commitments and contingencies

The Trust has certain obligations and commitments pursuant to development management agreements to complete the purchase of Earnouts totalling approximately 0.8 million square feet of development space from Penguin and others over periods extending to 2020 at formula prices, as more fully described in Note 4(b). As at December 31, 2015, the carrying value of the properties under development was $85,632 (December 31, 2014 – $82,263) with respect to these obligations and commitments. The timing of completion of the purchase of the Earnouts, and the final price, cannot be readily determined as they are a function of future tenant leasing. The Trust has also entered into various other development construction contracts totalling $8,738 (excluding VMC – see Note 6) that will be incurred in future periods.

The Trust entered into agreements with Penguin in which the Trust will lend monies in the form of mortgages receivable, as disclosed in Note 5(a). The maximum amount that may be provided under the agreements totals $278,897, of which $127,333 has been provided at December 31, 2015 (December 31, 2014 – $137,110).

Letters of credit totalling $29,266 (including letters of credit drawn down under the revolving operating facility described in Note 10(b)) have been issued on behalf of the Trust by the Trust's bank as security for debt and for maintenance and development obligations to municipal authorities.

The Trust carries insurance and indemnifies its Trustees and officers against any and all claims or losses reasonably incurred in the performance of their services to the Trust to the extent permitted by law.

The Trust, in the normal course of operations, is subject to a variety of legal and other claims. Management and the Trust's legal counsel evaluate all claims on their apparent merits and accrue management's best estimate of the likely cost to satisfy such claims. Management believes the outcome of current legal and other claims filed against the Trust, after considering insurance coverage, will not have a significant impact on the Trust's consolidated financial statements.

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Corporate Information

TRUSTEES

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Trustee

Mitchell Goldhar[2]
President, Chief Executive Officer
Penguin Investments Inc.

Gregory Howard[2, 3]
Trustee

Jamie McVicar[1, 3]
Trustee

Kevin Pshebniski[1, 2]
President
Hopewell Development Corporation

Huw Thomas
President, Chief Executive Officer
Smart Real Estate Investment Trust

Michael Young[2, 3]
Principal
Quadrant Capital Partners Inc.

[1] Audit Committee
[2] Investment Committee
[3] Corporate Governance and Compensation Committee

SENIOR MANAGEMENT

Huw Thomas
President, Chief Executive Officer

Peter Forde
Chief Operating Officer

Peter Sweeney
Chief Financial Officer

Mauro Pambianchi
Chief Development Officer

Rudy Gobin
Executive Vice President
Portfolio Management & Investments

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TD Bank Financial Group
BMO Capital Markets
RBC Capital Markets
CIBC World Markets
Scotia Capital
National Bank of Canada
HSBC Bank Canada
Desjardins Securities Inc.
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